Thompson Research Group

Q1’20 Heavy Materials Survey: COVID-19 Edition

Aggregate, Cement, Concrete & Asphalt Generating Revenues Amid COVID-19 Pandemic

April 14, 2020

Kathryn I. Thompson
615.891.6206
kthompson@thompsonresearchgroup.com

Please see pages 25-26 for Important Disclosures

Q1’20 Heavy Materials Survey Take-Aways

TRG’s *Q1’20 Heavy Materials Survey* focuses on key aggregate, concrete, asphalt and cement volume and pricing trends throughout Q1’20. Fundamentals were strong in Q1’20, although precipitation was a nag in certain markets (north TX, TN and parts of the southeast, southern CA). Q1’20 demand trends were generally positive from the west coast to the east coast, with a handful of contacts reporting record day sales going into the COVID-19 pandemic. This is even in the face of tough Q1’20 comps (VMC and MLM posted double-digit aggregate volume gains in Q1’19) as good weather pulled forward volumes last year. **Trends in Q1’20, however, were a sideshow to the overarching focus on measuring the potential impact of the COVID-19 on future heavy materials volumes and pricing trends.**

This report is a read through for **ATCX, CRH, CX, EXP, GVA, MLM, SUM, USCR, and VMC** to name a few. ***Slides 13-18 detail earnings previews and estimate changes for EXP, MLM, SUM, VMC, and USCR*. Note the extremely challenging nature of accurately forecasting given uncertainty around COVID-19. The basic question we are asking of all companies has been, “Are you generating revenue?” The heavy materials space is consistently answering “yes” and at least in the near to mid-term, remains less severely impacted versus so many other industries.** Broad subjects discussed in today’s report include:

- ***Slide 4*** focuses on volume trends for Q1’20
- ***Slides 5-8*** focus on COVID-19 impact into mid-April & thoughts going forward
- ***Slide 9*** focuses on TRG policy takeaways & potential future impact on infrastructure dollars
- ***Slide 10*** focuses on pricing trends going forward
- ***Slide 11*** focuses on headwinds/tailwinds from lower energy prices/costs
- ***Slides 13-18*** focus on earnings previews and estimate changes for VMC, MLM, SUM, USCR, EXP, and ATCX

Q1’20 Volume Trends

How have volumes trended over calendar Q1'20 vs. last year?	Up	Flat	Down
Aggregates	72%	14%	14%
Concrete	67%	33%	0%

Sources: TRG Industry Contacts, TRG Research

Q1’20 Survey Feedback

Weather A Bigger Q1’20 Headwind vs. COVID-19

While core fundamentals were solid in Q1’20, weather was a headwind for certain companies in the quarter. February and March proved to be wet months, with north TX particularly hard hit. As one TX-industry contact quipped, “we set all the wrong records in March…most consecutive days of rain, most rain accumulation.” Southern CA was also a wetter than usual month, slowing construction trends. As a consequence, it is challenging to separate weather from COVID-19 impact, particularly in March. We tend to believe weather was a greater impediment, with COVID-19 impact seen to a greater degree in April and beyond.

Sample direct quotes

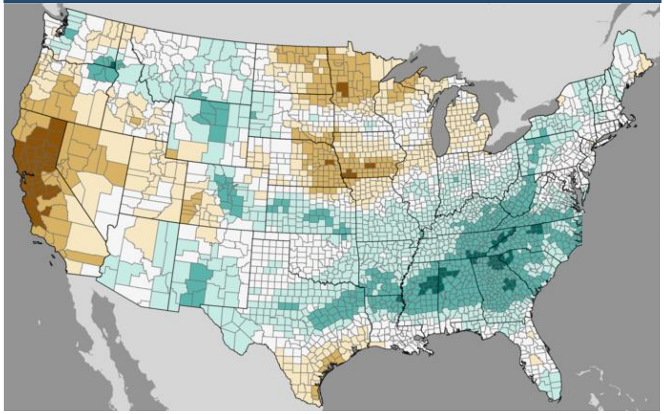
- “We had a strong January, poor February, and March is hard to say with Covid-19.” – ***Southeast Heavy Materials Producer***
- “Its been raining in California for the last two weeks Monday through Friday of last week have been a wash out.” – ***California Heavy Materials Producer***
- “Volumes were flattish overall for Q1. January was up and February/March was down due to rain.” – ***Southeast Heavy Materials Producer***
- “Winter weather in the Midwest has been warmer than normal, which has enabled construction from last fall to continue and new construction to begin early.” – ***Midwest Heavy Materials Producer***
- “When it rains work bunches up but we don't seem to lose volume. The days we work after weather just seem to be very busy.” – ***Southwest Heavy Materials Producer***
- “Warm weather recently is the main reason for our increase.” – ***Southeast Heavy Materials Producer***

Q1 weather impact

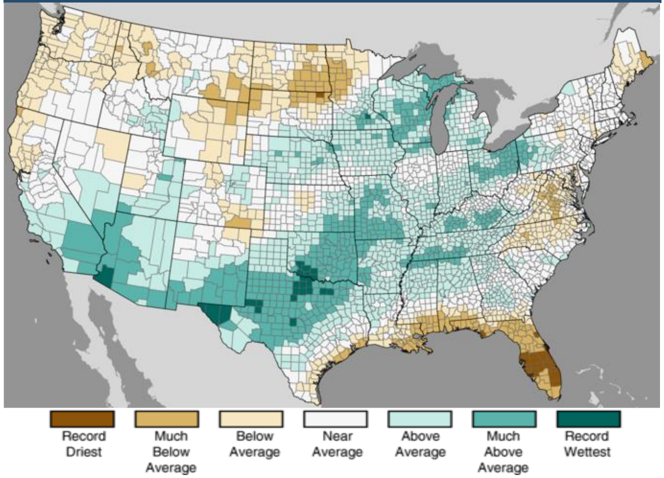
Has weather impacted your Q1'20 volumes?	
Yes, significant negative impact	29%
Yes, moderate negative impact	29%
No impact	29%
Yes, positive impact	14%

Sources: NOAA, TRG Research

February Precipitation



March Precipitation



COVID-19 Impact: Industry Response & Early Implications

THOMPSON RESEARCH GROUP

How Heavy Material Companies Have Responded to COVID-19

Internally:

- **Focus on job security –** As one TX concrete producer shared, "All of our employees realize how good things are with us because they have a job and we made a decision to give raises during this time." Another Southeastern focused heavy materials producer said "We are reluctant to let anyone go – they won't come back." Most companies have employees working from home except for critical functions.

- **Follow CDC Guidelines –** Regardless of how strict or relatively lax local precautions have been, companies with whom we surveyed and have spoken are following CDC guidelines for operating. This includes single riders for vehicles (i.e., only one individual "owns" a piece of equipment), specific social distancing policies, no physical conferencing, and having all corporate functions work completed from home.

Externally:

- **Sending a message that "we are still in business" –** By mid-March, heavy materials contacts confirmed that they are reaching out to their customer base to let them know they are in business and inform them of the safety precautions each company is taking.

COVID-19 Impact So Far

Have you already seen an impact to volumes in your business from coronavirus events?	
Yes – volumes are down due to coronavirus impact	33%
No – volumes have not been impacted by coronavirus events	67%

Have you seen an impact to your work force due to the coronavirus?	
Yes, employees have been staying at home	33%
No impact	67%

Are you seeing an impact on your ability to get supplies, materials from other vendors?	
Yes	38%
No	62%

Have you seen any peers change business practices since coronavirus?	
Yes	11%
No	89%

COVID-19 Impact: Assessing Early April Trends

Public = business as usual

- Feedback from contacts across the U.S. pointed to public work continuing almost entirely uninterrupted, and in some cases even accelerating. States accelerating DOT construction work include TX,GA, VA, IL, FL, and VA.
- *See **slide 9** for further details on DOT and policy related trends and feedback.*

Residential = building only what is sold

- **Spec home construction stopped –** Multiple contacts pointed to homebuilders stopping work on spec homes and only completing contracted homes to ensure money being put to work will bring money in.

- **Still some modest new resi activity –** Companies noted their homebuilder contacts are reporting there is still home buying activity, but behavior has changed over the previous week. Homebuyers are committing a modest down payment to get on the list but not going through the upgrade list, markedly different behavior versus more recent time behavior. It is unclear whether new developments will continue without contracted buyers. TRG thinks this is unlikely until greater clarity has been established. Note that a slower new resi market would have a greater relative negative impact to ready-mix concrete companies.

Non-Res = steady for certain end markets (at least for now)

- **Feedback was mixed across geography and end market –** Outside of Boston/the Bay area/retail, commercial construction projects appear to be relatively steady but showing signs of cracking. Certain jobs that were early in the completion cycle have been paused, while most projects at least 50% complete are continuing or speeding up.

- **Projects 12-18 months out less certain –** Most contacts were more worried about a few months from now if project activity dries up from continued pauses and delays in new projects. One contact noted they are “really concerned” about the private side, and another noted they expect to see double digit declines in their business during periods in Q2 and Q3. For the very hardest hit markets (i.e., Boston and certain parts of the San Francisco Bay area), volumes are off solid double-digits versus where volumes had previously trended. Each of the hardest hit markets have seen a drop off at the initial announcement and gradual recovery. Note that sequential weekly trends are tricky, particularly at this time of the year because weather plays such a meaningful role. Certain markets (like TX) are seeing little, if any, impact to commercial demand/volumes. Overall, the market/Street is struggling to frame what the worst-case scenario is currently. In general, however, volumes are off but perhaps not as much as feared in general.

COVID-19 Impact: Feedback from the Field

THOMPSON RESEARCH GROUP

Have you already seen an impact to volumes in your business from coronavirus events?

- "Our volumes have been down the last couple weeks of March." – ***Southeastern Heavy Materials Producer***
- "As weather is breaking now, it is hard to tell what is pent up demand vs covid impact." – ***Southeast Heavy Materials Producer***
- "We have seen a limited impact at this time (through March), as construction has been characterized as an essential business in our core markets, but we are expecting a more meaningful slowdown in April." – ***Midwest Heavy Materials Producer***
- "Work hasn't stopped, but its hard to tell how the local governments will react if this continues. Will inspectors show up to jobsites????" – ***Southwestern Heavy Materials Producer***
- "Volumes are down very modestly on only a few projects." – ***Western Heavy Materials Producer***
- "Some homebuilders have stopped new product construction. Light commercial is cautious." – ***Western Heavy Materials Producer***
- "Homebuilders have stopped work on spec homes and are focused on contracted homes. There is a focus on the completion date to deliver contracted homes to buyers." ***– TX Heavy Materials Producer***
- "On the private side we are getting requests for bids and lots of quoting, but how much will turn into actual projects I don't know. Maybe people are just fishing for deals and price cuts." ***– SE/SW Heavy Materials Producer***
- "We are expecting 90 to 120 days of double-digit declines eventually as voluntary and involuntary project shutdowns trickle down to us." ***– Southeastern Heavy Materials Producer***
- "Our Non-Res is seeing retail space paused, retail and movie theaters. Data centers are accelerating as there is a need for more bandwidth due to working from home." ***– Southeastern Heavy Materials Producer***
- "On the commercial side it is almost like nothing happened. Permitting and inspection would be the hold up at this point." ***– TX Heavy Materials Producer***
- "Public demand is still there, we have seen no pullback. We are even hearing DOTs are open to discussions on accelerating work and relaxing restrictions such as nighttime hours." ***– SE/SW Heavy Material Producer***
- "Many of the public works projects have accelerated, projects are working around the clock." ***– Southeastern Heavy Material Producer***
- "Our public bid list is healthy and likely not going away. We haven't seen an acceleration though. It is easier to get things done now that roads are empty, but haven't heard much impact on relaxed guidelines, no expediting of projects yet, not a single night job has increased." ***– Western Heavy Material Producer***

Have you seen an impact to your work force due to the coronavirus?

- "Operations employees are working. Most office employees are at home." – ***Southeast Heavy Materials Producer***
- "As of last week, we have suspended all capital projects." – ***Western Heavy Materials Producer***
- "Field ops, social distancing, CDC practices, single riders in vehicles Still paying employees even if they don't feel well and stay home." – ***Southeast Heavy Materials Producer***
- "No impact at this time, but that could change in April." – ***Midwest Heavy Materials Producer***
- "My team is here everyday and ready to work." – ***Southwest Heavy Materials Producer***
- "A very few however (not illness but childcare related due to closed schools). So far not interrupting work" – ***Western Heavy Materials Producer***
- "Some office employees working from home. No impact so far with field employees." – ***Southeastern Heavy Materials Producer***

COVID-19 Impact Going Forward

Expected Volume Impact

Do you expect to see an impact to volumes from coronavirus events?	
Yes – volumes down within days	0%
Yes – volumes down within weeks	88%
No impact expected	12%
Yes – volumes up within days	0%
Yes – volumes up within weeks	0%

End Market Impact

How do you think coronavirus events will impact activity by end market?	No Impact, projects are continuing	Positive impact, projects are moving up	Negative impact, current projects are halting	Negative impact, future project are stalling
Public	56%	33%	0%	33%
New Residential	22%	0%	22%	67%
Residential R&R	0%	0%	20%	80%
Non-Res/Commercial	38%	0%	0%	63%

TRG Policy Takeaways: Feedback From Key State & Federal Contacts on COVID-19

TRG | THOMPSON RESEARCH GROUP

DOT's are mostly business as usual

- Most Heavy Material and DOT contacts report that public work is business as usual, and in some cases even speeding up work.
- None of TRG's core states have indicated any slowing or planned decrease in letting volumes.

Revenue Collections - March sees minimal impact from COVID-19, but lower collections expected

- **Since the Great Recession state legislatures and Departments of Transportation (DOTs) have worked successfully to dramatically increase transportation funding.** In fact, 13 of TRG's core 15 states have passed meaningful transportation increases since 2012 raising billions of incremental dollars annually. Legislatures and DOTs have also sought to diversify revenues away from traditional gas and diesel taxes in the form dedicated sales taxes, hotel, and other user-based fees. Still, the majority of DOT revenues come from motor fuel tax collections. As federal and state governments recommend and enforce "shelter in place" orders, traffic volumes have plummeted across the country putting future DOT revenues at risk. Additionally, new revenues streams are reliant on strong economic trends such as new car sales, hotel accommodations, and statewide sales tax generation. TRG state revenue managers and DOT contacts share the real impact may not be known for 4 to 6 weeks, or longer. All agree, however, that the longer the delay in getting America back to work, the greater the risk to future revenues streams to all state departments. As traditional state revenues decline, the question arises, "How safe are DOT dollars from being transferred to other state agencies?" In general, fuel tax collections going to state DOTs are protected by state constitutions. Other revenue steams such as registration fees and dedicated sales tax collections are at higher risk of being transferred in severe cases

Key Commentary on Potential Revenue Transfers

- We have constitutionally dedicated revenues that can only be used for roads and bridges, so it wouldn't be easy to use [DOT dollars] for other activities.
- TxDOT's gas tax revenue is constitutionally protected, but other forms of revenues from Prop 1 & 7 can be revisited by the legislature at its discretion.
- Low risk [to transfers] as motor fuels are constitutionally dedicated to roads and bridges; fees dedicated to transportation are not as "locked box" but if appropriated to non-transportation purposes, the fees are repealed in 2 years.
- There is not a chance of any DOT dollars being used for anything other than roads and bridges. After 20 years of neglect, everyone knows what a crisis situation we are facing.
- They will sweep the trust fund in a heartbeat if they need to. There is always a loophole.
- California fuel excise taxes and vehicle fees are protected under Article 19 of the CA Constitution and cannot be borrowed to assist the General Fund. This includes taxes implemented under SB 1.

Key Commentary on Revenue Collections

- We won't have a clear revenue impact for a few months, but we know current passenger traffic is down 40%. That will impact future revenues.
- There will be impacts to motor vehicle sales tax receipts due to the weakened economy. It's too early to tell the full impact since we don't know how long this [epidemic] will last.
- It's difficult to tell right now, but certainly several months would force TxDOT to review its funding projections.
- Not sure yet of the revenue impact. With respect to lettings, a significant portion of our lettings are still federally funded which is theoretically stable at present. We are proceeding as planned.
- We just accelerated $2.0B worth of projects. These were already let, but we've been able to speed up construction [and payments to industry] due to lighter traffic volumes.

Pricing: What Now?

The pricing outlook has changed since the start of 2020, with COVID-19 changing the volume visibility dynamics for certain categories. For other categories, including aggregates, we see little meaningful changes. Volume visibility, particularly for infrastructure-related projects, is supportive for pricing, and infrastructure projects are moving forward despite COVID-19 disruptions. Additional thoughts by product line includes the following:

- **Aggregates –** Volume visibility has been supportive for aggregate pricing momentum overall. Going into 2020, aggregate pricing momentum was expected to continue, with ranges from up low-to-mid single digits to high single digits YOY (+3-7%), depending on the market and product type. Given visibility for large infrastructure projects in coming years, TRG's position has been that we expect pricing momentum from 2019 to continue through 2020. Infrastructure projects still are moving forward, and of all heavy materials product categories with the greatest likelihood of stability and upside, aggregates stands in a class unto itself.
- **Cement –** 2020 spring price increases ranged from $6-$8/ton, depending upon the market. As a reminder, TX pricing in 2019 saw better support vs. 2018, and the Mississippi River market pricing was challenged this year due to flooding in the spring. The relative timing and magnitude of 2020 industry/peer price increases was reasonable. Moreover, production disruptions at Cemex (CX) operations in central TX lead to a tight cement market, reaching as far north as the River System to meet demand. This dynamic should be generally supportive of pricing. The sustainability of the 2020 price increase, however, given private construction volume concerns remains in question.
- **Concrete –** At the start of 2020, a tight labor market (i.e., shortage of truck drivers) should support pricing. The implosion of the end market in TX has meaningfully freed up truck drivers. As one TX concrete contact quipped, "In Q4 we couldn't get any drivers in Q4 and by Q1 we had 10 applicants for every job available." Additionally, cement pricing momentum also determines concrete pricing realization. Overall, we expect concrete pricing trends will vary widely by market. In general, however, it will be tough to maintain pricing with significant drops in volumes.
- **Fly ash –** The industry is out with an $8/ton price increase in early 2020. Fly ash availability remains tight, and as larger infrastructure projects come online (particularly in states like TX), we don't necessarily see this situation abating anytime soon.

Sample direct quotes on pricing trends:

- "We don't see aggregate pricing move." ***– Southeastern Heavy Materials Contact***
- "Ready-mix concrete pricing will skew down, as private producers are not as sophisticated. Plus, there is the risk of big multi-nationals chasing volumes down." ***– Southeastern Heavy Materials Contact***
- "Ready-mix concrete may have a harder time holding onto price." ***– Western Heavy Materials Producer***
- "The cost and value of aggregates are merited regardless of coronavirus." ***– Western Heavy Materials Producer***
- "Winter weather in the Midwest has been warmer than normal, which has enabled construction from last fall to continue and new construction to being early." ***– Midwestern Heavy Materials Producer***

Expected Price Impact

Do you expect to see an impact to pricing from coronavirus events?	
Yes – increases not expected to go through	0%
No impact expected	75%
Yes – increases expected to go through	25%

Input Costs: Headwinds/Tailwinds from Lower Energy Prices

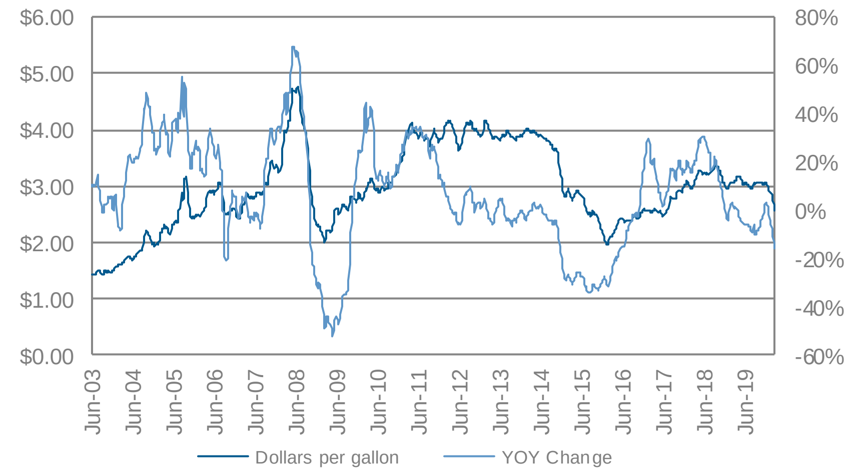
Energy end market – Separate from the COVID-19 debacle, global oil prices have collapsed in recent weeks as Saudi Arabia and Russia argued over cuts in supply. A deal was announced this week for cuts of ~10MM barrels should limiting downward price pressures from the supply side.

- ## Headwind impact
  - **Lost volumes –** Companies with TX (south/west) energy exposure are already feeling the impact from lower production.
  - **Dampened consumer confidence –** In markets particularly dependent upon energy, consumer sentiment (beyond COVID-19) were dampened, impacting decisions for more significant purchases (like buying a new home).

- ## Tailwind impact
  - **Lower transportation costs –** Lower oil prices have equated to big savings in diesel costs. Private aggregate producers have reported anywhere from a 40-45% drop in diesel costs in recent weeks.
  - **Greater availability of labor –** As soon as oil prices dropped, layoffs accelerated and availability of labor eased in TX. As one contact shared, “In Q4 we couldn’t hire anyone. Today we have 10 people for each application.”

Crude Oil Prices

Diesel Cost per Gallon



Sources: EIA, TRG Research

Company Read Through

VMC, MLM, SUM, USCR, EXP, ATCX

Vulcan Materials (VMC – $109.43)

THOMPSON RESEARCH GROUP

Q1'19 comp reminders

- Overall better weather in Q1'19 pulled volumes forward (agg SSS volumes +11%, asphalt +11%) and provide tough comps for Q1'20.
- Concrete volumes in Q1'19 were down 10% on poor VA weather where most of VMC's ready mix operations are, setting up a relatively easier comp for the segment.

COVID-19 impact

+ VMC has the most exposure to aggregates of the public players, and TRG believes aggregates is the best positioned of the different heavy materials.
+ TX exposure = 15% (second largest state contributor) – TX is one of the least restrictive states in regards to COVID-19 shutdowns and would be one of the last states to shut down construction work.
+ Aggregate pricing should continue gains, as early 2020 price increases appears to have gained traction.
+ Infrastructure bill to significantly benefit VMC as 44% of revenues are tied to public works, with 23% specifically for highway work.

– Bay Area construction shutdown to impact northern CA revenues, and heavy precipitation in southern CA in March likely hampered demand (CA is VMC's largest state at 17%).

Other considerations

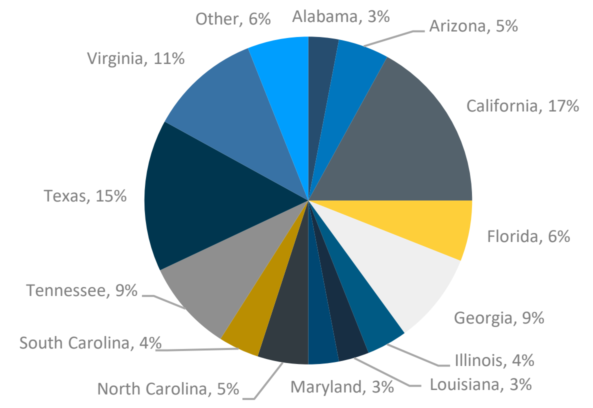
- VMC has minimal direct exposure to the energy sector but would see an impact from trickle down effects in the event of a collapse of the TX oil field.
- TX saw heavy rains the last few weeks of Q1.
- Diesel/fuel accounts for ~7-8% of COGs to produce a ton of rock. Lower diesel costs should help, but we would also caution that this is not necessarily a linear impact.
- VMC on 4/10 entered into a $750MM 364-day delayed draw term loan facility through 10/7

Estimate update

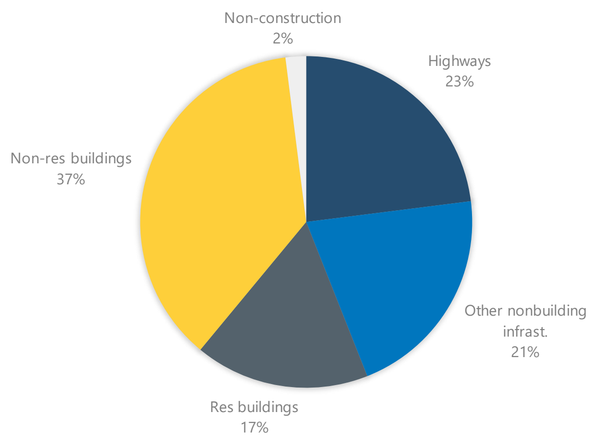
- TRG's Q1'20 EPS = $0.43 vs. consensus of $0.47
- TRG's FY'20
  - EPS = $4.53 vs. consensus of $4.80
  - EBITDA = $1.265B vs. a guidance range of $1.385-1.485B

Valuation – VMC's 12-month fair value range is $121-$131, the mid-point being $126. The mid-point of this range is based off of an ~13x EV/EBITDA multiple on our FY'21 EBITDA of $1.35B discounted back.

VMC State Exposure



VMC End Market Exposure



Source: Company presentations; Thompson Reuters; TRG Research

Martin Marietta Materials (MLM – $197.57)

TRG | THOMPSON RESEARCH GROUP

Q1'19 comp reminders

- Overall better weather in Q1'19 pulled volumes forward (agg heritage volumes +13%, cement +7%) and provide tough comps for Q1'20.
- Concrete volumes down 4% in Q1'19 on poor CO weather, Q1'20 should be better as weather was not as poor this year.

Coronavirus impact

+ 63% of MLM sales are aggregates and is well positioned from a downstream standpoint to benefit from infrastructure construction.
+ TX exposure = 36% (largest state contributor) – TX is one of the least restrictive states in regards to COVID-19 shutdowns and would be one of the last states to shut down construction work.
+ Aggregate pricing should continue gains, as early 2020 price increases appears to have gained traction.
+ Infrastructure bill would significantly benefit MLM as 39% of revenues are tied to infrastructure.

– The trickle-down impact from a damaged TX energy market could eventually be a drag on cement pricing, despite a favorable industry set up in 2020.

Other considerations

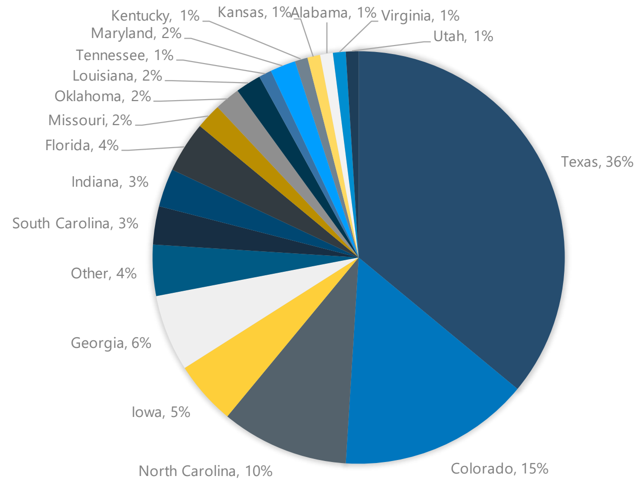
- TX saw heavy rains the last few weeks of Q1.
- MLM has modest direct exposure to the energy sector but would see an impact from trickle down effects in the event of a collapse of the TX oil field.
- Diesel/fuel accounts for ~7-8% of COGs to produce a ton of rock. Lower diesel costs should help, but we would also caution that this is not necessarily a linear impact.

Estimate update

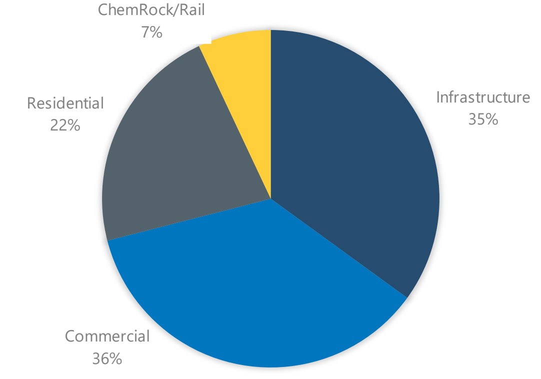
- TRG's Q1'20 EPS = $0.44 vs. consensus of $0.56
- TRG's FY'20
  - Our FY'20 EPS = $9.07 vs. consensus of $9.81
  - Our FY'20 EBITDA = $1.22B vs. guidance for a range of $1.347-$1.425B

***Valuation* –** MLM's 12-month fair value range is $239-$260, the mid-point being $249. The midpoint of this range is based off of an ~13.0x EV/EBITDA multiple on our FY'21 EBITDA of $1.34B discounted back.

MLM State Exposure



MLM End Market Exposure



Sources: Company Presentation; TRG Research

Summit Materials (SUM – $14.66)

Q1'19 comp reminders

- Q1'19 aggregate organic volumes up 7% (East +9%, West +4%).
- Q1'19 cement volumes +1% as MS river flooding and extended maintenance downtime impacted the quarter.

Coronavirus impact

\+ TX exposure = 21% (largest state contributor) – TX is one of the least restrictive states in regards to coronavirus shutdowns and would be one of the last states to shut down construction work (excluding energy industry slowdown).

\+ Aggregates segment likely to carry the load through the rest of the year and is better positioned for volume and pricing trends compared to cement/concrete/asphalt.

– SUM's cement operations are likely to drag on the company through Q2 and Q3 as the segment carries higher fixed costs while operating 24/7. TRG expects cement pricing will face a tough environment in the face of lower demand.

Other considerations

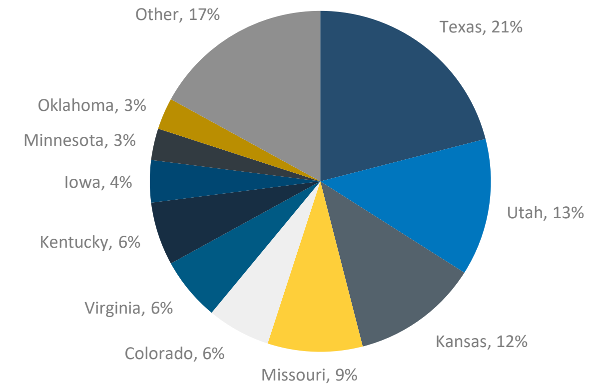
- Summit's TX energy end market exposure is relatively small. Approximately 2% of revenues are in the Midland/Odessa market. A more significant portion of revenues are in the Houston market and mostly are tied to private/residential construction. While higher end homes were hit harder in the last oil crunch in 2014-15, the underlying fundamentals of that market were healthy enough to support a relatively quick recovery.
- SUM hedges 50-70% of its annual diesel usage. As such, in a falling diesel market, the full impact of lower costs is delayed.

Estimate update

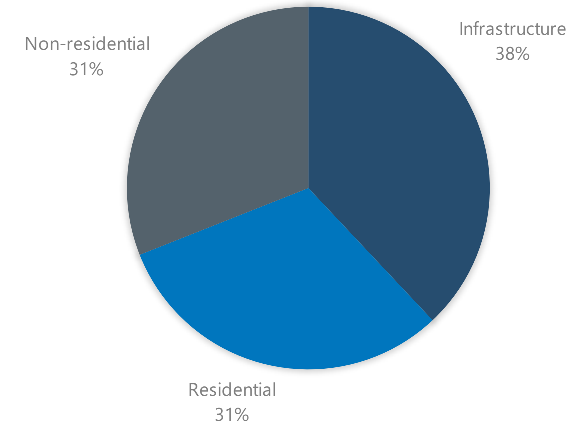
- TRG's Q1'20 EBITDA = EBITDA = $10.19MM vs. consensus of $9.9MM
- FY'20 EBITDA = $410.5MM vs. guidance range of $460-$500MM

Valuation – SUM's 12-month fair value range is $20-$24, the mid-point being $22. The midpoint of this range is based off of a ~9.0x EV/EBITDA multiple on our FY'21 EBITDA of $470MM discounted back.

SUM State Exposure



SUM End Market Exposure



Source: Company Presentation; Thompson Reuters; TRG Research

U.S. Concrete (USCR – $18.18)

Q1'19 comp reminders

- Q1'19 concrete volumes down 1% as Northern CA rain offset volume gains in other regions.
- Q1'19 aggregate volumes were up 17% on strong results from Polaris and West Texas.

Coronavirus impact

+ Texas (34% of earnings) is one of the least restrictive states in regards to COVID-19 shutdowns and would be one of the last states to shut down construction work.
+ Highly variable cost structure for concrete operations (COGS: raw materials = 63%, labor = 23%, plant/fixed costs = 14%).
– USCR's end market exposure is heavily tilted towards commercial projects which are likely to see some of the biggest slowdown impacts going forward (60% commercial, 22% resi, 18% infrastructure).

Other considerations

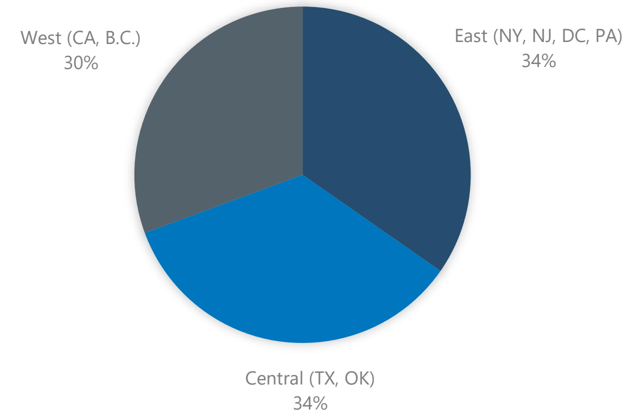
- North TX saw heavy rains the last few weeks of Q1 (Central region = 34% of sales). The last half of March is usually a make or break time for the quarter and having rain during this time will have restricted volumes.
- USCR to see negative impact from oil field impact in the near team in the form of lower shipments and medium term in lower related activity
- USCR has a unique debt structure that focuses on liquidity levels rather than debt to EBITDA, allowing the company in a downturn to focus on operations and other areas rather than specifically targeting EBITDA to not break covenants.

Estimate update

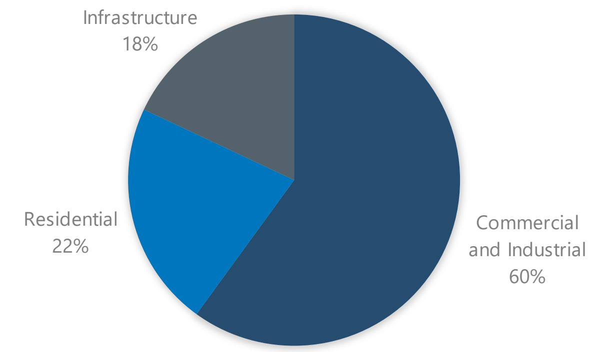
- Our Q1'20 EPS = $(0.24) vs. consensus of $(0.10)
- Out FY'20
  - EPS = $0.22 vs. consensus of $1.34
  - EBITDA = $154MM vs. $178MM

Valuation – USCR's 12-month fair value range is $19-$29, the mid-point being $24. The mid-point of this range is based off of an ~6x EV/EBITDA multiple on our FY'21 EBITDA of $178MM discounted back.

USCR Regional Exposure



USCR End Market Exposure



Source: Company presentations; Thompson Reuters; TRG Research

Eagle Materials (EXP – $63.51)

Q4'19 (Mar) comp reminders

- Wallboard volumes were up 22% as housing starts rebounded from a decline at the end of 2018 but pricing was down 4% YOY as price increases did not gain traction.
- Cement volumes were down 2% on wet weather limiting activities and deliveries, not a lack of demand.

Coronavirus impact

+ Aggregate pricing should continue gains, as early 2020 price increases appears to have gained traction.

– EXP's cement operations are likely to drag on the company through the rest of the year on lower demand while plants have a higher fixed cost footprint and operate 24/7.

– The trickle-down impact from a damaged TX energy market could eventually be a drag on cement pricing, despite a favorable industry set up in 2020.

– Wallboard price increases are essentially off the table as current housing construction slows to only homes under contract, and new housing starts face an uncertain outlook.

Other considerations

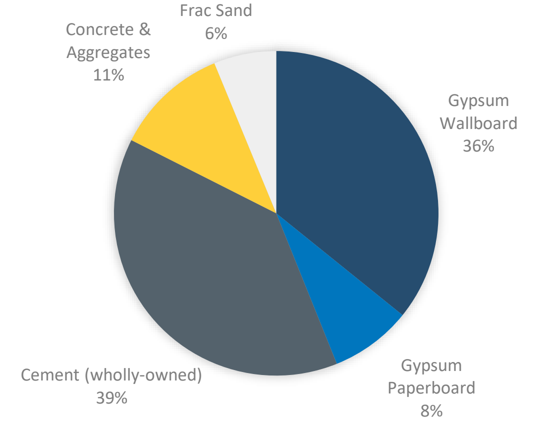
- Lower fuel costs to benefit margins on both the heavy and light materials side as both products are expensive to transport.
- EXP announced on 4/13 the reduction of capex to critical maintenance, extended term loan an additional year to Aug 2022, and increased the leverage ratio covenant to 4.5x.
- At the end of March EXP has $115MM in cash, $180MM available on the revolver, anticipate $100MM tax credit from CARES act relating to Kosmos acquisition NOLs, and has no near-term debt maturities.
- The Heavy and Light materials separation timeline is now uncertain (previously planned for summer 2020) and likely delayed until the markets are more stable, but the strategic rationale remains in place.

Estimate update – *EXP does not provide forward guidance*

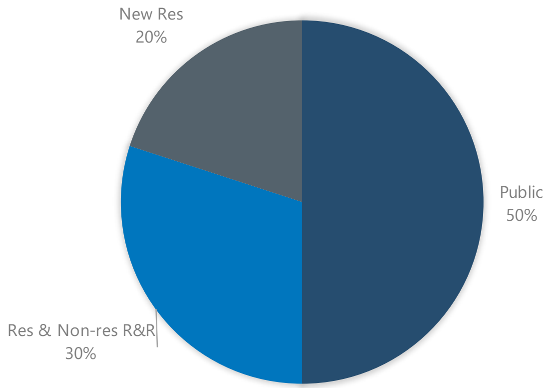
- Our Q4'20 (Mar) EPS = $0.88 vs. consensus of $0.93
- Our FY'20 EBITDA = $452MM vs. consensus of $437MM

Valuation – TRG's 12-month fair value range for EXP is $86-$97, the mid-point being $92. The mid-point of this range is based off of an ~11x EV/EBITDA multiple on our FY'21 EBITDA of $446MM discounted back

Revenue by Product



Cement End Market Exposure



Source: Company filings; TRG Research

Atlas Technical Consultants (ATCX – $8.70)

COVID-19 Update

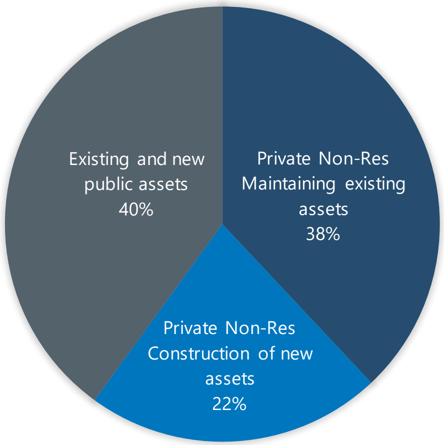
- **Near-term implications –** As a provider of mission-critical services to infrastructure and commercial construction projects, one of Atlas services includes a team of nearly 500 industrial hygiene specialists (accounts for ~15% of total headcount). Atlas already is responding to meaningful increased clients demands for these services, responding to a variety of needs including "safety planning, exposure pathway assessments, cleaning protocol development and decontamination oversights." Markets served range from Florida to Washington state.
- **Mid-term/secular implications –** In our opinion, COVID-19 is a game-changer in terms of how companies and government entities strategically plan around crisis management. While Atlas has been adept at responding to natural disasters such as a hurricane (which is a random but an event that comes and goes), the COVID-19 outbreak we think will make companies think more comprehensively about continued, comprehensive hygiene preparedness.

Unique capabilities to <u>thrive</u> in the current environment

- **Hygiene services business** – TRG first was intrigued by Atlas' business model for its exposure to our 3 end markets of focus (resi, non-res, and public) and asset light approach in the construction field, but the current environment (COVID-19) highlights a portion of the business that is able to capitalize on the increased focus on health and safety. The **Commercial Hygiene** segment has been a part of Atlas' core company and typically provides services to the commercial segment on air quality, emergency planning, risk management plans, and OSHA compliance. Historically this has been focused on the industrial end market, and been in high demand after 9/11 and hurricane response work. <u>**Management already has seen an increase recently in response to the coronavirus not only from typical industrial companies but also hotels and retail. This segment employs ~500 resources across scientists, hygienist, and technicians (~15% of total workforce) and is managing resources across the company to best serve the increase in demand.**</u>
- **Infrastructure work will** *(or at least should)* **continue** – Public infrastructure accounts for 40% of revenues and should be fairly insulated mid to long term from the turbulence in todays economy (virus, oil, stock market, interest rates, etc.).

Valuation – ATCX's 12-month fair value range is $15-$20, the mid-point being $18. The mid-point of this range is based off of a ~11x EV/EBITDA multiple on our FY'20 EBITDA of $74MM discounted back.

Revenues by End Market



Revenue by Function

Testing & Inspection – 80%

- Materials & Engineering
- Construction Quality Assurance
- Environmental
- Disaster Response

Engineering & Design – 20%

- Engineering & Design
- Program Management
- Construction Support

Source: Company Filings, TRG Research

Appendix

Appendix 1: Income Statement – EXP

THOMPSON RESEARCH GROUP

	FY'18 Mar-18	FY'19 Mar-19	Q1'20 Jun-19	Q2'20 Sep-19	Q3'20 Dec-19	Q4'20E Mar-19	FY'20E Mar-20	FY'21E Mar-21
Gypsum Wallboard	$491,779	$532,712	$126,724	$128,660	$125,070	$117,866	$498,320	$471,312
Cement	529,424	537,858	163,555	190,422	148,475	86,770	589,222	566,669
Paperboard	111,395	100,933	25,685	25,923	22,562	23,147	97,317	94,207
Concrete and Aggregates	155,678	138,751	39,401	55,564	46,797	31,061	172,823	166,959
Frac sand	98,244	82,987	15,232	13,957	7,345	12,000	48,534	28,098
Other, net	0					5,000	5,000	
Total Net Revenue	**1,386,520**	**1,393,241**	**370,597**	**414,526**	**350,249**	**275,844**	**1,411,216**	**1,327,246**
Cost and Expenses								
Gypsum Wallboard	333,228	351,881	88,792	90,204	86,586	80,974	346,556	326,619
Cement	393,692	411,641	136,866	136,253	104,995	72,973	451,087	439,169
Paperboard	78,637	65,584	15,741	15,828	13,541	15,277	60,387	59,351
Concrete and Aggregates	137,824	125,885	34,967	48,309	43,463	28,266	155,005	148,594
Frac sand	104,383	111,682	18,902	19,426	14,150	21,840	74,318	42,147
Acquisition and Litigation								
Other, net	10,555		(200)	(942)	223,442			
Corporate General and Administrative	41,205	37,371	21,254	13,458	13,794	8,275	56,781	39,817
Operating Expenses	1,138,622	1,320,097	316,322	322,536	499,971	227,605	1,366,434	1,055,697
Operating income (loss)	**247,898**	**73,144**	**54,275**	**91,990**	**-149,722**	**48,239**	**44,782**	**271,549**
Other Non-operating expense								
Interest Expense	(24,056)	(28,374)	(8,846)	(10,137)	(9,543)	(10,000)	(38,526)	(32,000)
Equity in Earnings of Unconsolidated JV	**43,419**	**38,565**	**9,432**	**12,357**	**10,700**	**10,242**	**42,731**	**39,917**
Net income before taxes	267,261	83,335	54,861	94,210	-148,565	48,480	48,986	279,466
Provision for income taxes	12,614	10,875	13,557	22,417	-33,933	12,120	14,161	67,072
Operating Net Income	254,647	72,460	41,304	71,793	-114,632	36,360	34,825	212,395
Net Income	**254,647**	**72,460**	**41,304**	**71,793**	**-114,632**	**36,360**	**34,825**	**212,395**
Diluted shares	48,642	46,871	44,150	41,834	41,314	41,314	42,153	41,314
GAAP Diluted EPS	**$5.11**	**$1.33**	**$0.94**	**$1.72**	**($2.77)**	**$0.88**	**$0.76**	**$5.14**
Operating EPS	**$4.89**	**$5.02**	**$1.13**	**$1.72**	**$1.51**	**$0.88**	**$5.24**	**$5.14**
Margin Analysis								
Revenue								
Gypsum Wallboard	35.5%	38.2%	34.2%	31.0%	35.7%	42.7%	35.3%	35.5%
Cement	38.2%	38.6%	44.1%	45.9%	42.4%	31.5%	41.8%	42.7%
Paperboard	8.0%	7.2%	6.9%	6.3%	6.4%	8.4%	6.9%	7.1%
Concrete and Aggregates	11.2%	10.0%	10.6%	13.4%	13.4%	11.3%	12.2%	12.6%
Frac sand	7.1%	6.0%	4.1%	3.4%	2.1%	4.4%	3.4%	2.1%
Operating Margins								
Gypsum Wallboard	32.2%	33.9%	29.9%	29.9%	30.8%	31.3%	30.5%	30.7%
Cement	25.6%	23.5%	16.3%	28.4%	29.3%	15.9%	23.4%	22.5%
Paperboard	29.4%	35.0%	38.7%	38.9%	40.0%	34.0%	37.9%	37.0%
Concrete and Aggregates	11.5%	9.3%	11.3%	13.1%	7.1%	9.0%	10.3%	11.0%
Frac sand	-6.2%	-34.6%	-24.1%		-92.6%	-82.0%	-53.1%	-50.0%
Operating Expenses	82.1%	94.8%	85.4%	77.8%	142.7%	82.5%	96.8%	79.5%
Operating income (loss)	**17.9%**	**5.2%**	**14.6%**	**22.2%**	**-42.7%**	**17.5%**	**3.2%**	**20.5%**
Operating Net Income	**18.4%**	**5.2%**	**11.1%**	**17.3%**	**-32.7%**	**13.2%**	**2.5%**	**16.0%**
Interest Expense	-1.7%	-2.0%	-2.4%	-2.4%	-2.7%	-3.6%	-2.7%	-2.4%
Net income before taxes	19.3%	6.0%	14.8%	22.7%	-42.4%	17.6%	3.5%	21.1%
Net Income	18.4%	5.2%	11.1%	17.3%	-32.7%	13.2%	2.5%	16.0%
Tax rate	4.7%	13.0%	24.7%	23.8%	22.8%	25.0%	28.9%	24.0%
EBITDA	**420,222**	**469,853**					**451,997**	**445,859**
EBITDA/diluted share	**$8.64**	**$10.02**					**$10.72**	**$10.79**
EBITDA margin	**30.3%**	**33.7%**					**32.0%**	**33.6%**

Source: Company filings; TRG Research

Appendix 2: Income Statement – MLM

Dec FYE ($ in thousands)	FY'18	FY'19	Q1'20E March	Q2'20E June	Q3'20E Sept	Q4'20E Dec	FY'20E	FY'21E
Total Net Revenue	**3,980,351**	**4,422,319**	**884,696**	**1,097,713**	**1,240,477**	**1,027,549**	**4,250,434**	**4,512,495**
Freight and delivery revenues	263,914	316,780	57,505	71,351	80,631	66,791	276,278	293,312
Total revenues	**4,244,265**	**4,739,099**	**942,201**	**1,169,065**	**1,321,108**	**1,094,339**	**4,526,712**	**4,805,807**
Cost of sales (materials)	3,009,810	3,239,066	742,227	779,045	834,836	764,959	3,121,066	3,262,090
Freight and delivery revenues	267,878	321,025	57,505	71,351	80,631	66,791	276,278	293,312
Cost of sales	**3,277,688**	**3,560,091**	**799,732**	**850,396**	**915,467**	**831,749**	**3,397,344**	**3,555,402**
Gross profit	**966,577**	**1,179,008**	**142,469**	**318,668**	**405,641**	**262,590**	**1,129,368**	**1,250,405**
SG&A	280,554	302,657	78,203	66,637	73,982	74,415	293,236	312,377
R & D / Acquisition-related expenses, net	13,479	468						
Other Operating (income) expenses	(18,195)	(9,052)	1,000	1,000	1,000	1,000	4,000	4,000
	690,737	**884,935**	**63,266**	**251,031**	**330,659**	**187,175**	**832,131**	**934,028**
Interest expense, net	(137,069)	(129,346)	(30,600)	(30,600)	(30,600)	(30,600)	(122,400)	(118,000)
Other nonoperating income (expense)	22,413	(7,254)	1,500	1,500	1,500	2,500	7,000	10,000
Net income before taxes	576,081	748,335	34,166	221,931	301,559	159,075	716,731	826,028
Provision for income taxes	105,705	136,349	6,833	46,606	63,327	31,815	148,581	165,206
Operating Net Income	**470,376**	**611,986**	**27,333**	**175,326**	**238,232**	**127,260**	**568,150**	**660,822**
Earnings attributable to noncontrolling interests	(378)	(72)						
Net Income	**469,998**	**611,914**	**27,333**	**175,326**	**238,232**	**127,260**	**568,150**	**660,822**
Diluted shares	63,147	62,710	62,667	62,667	62,667	62,667	62,667	62,000
GAAP Diluted	**$7.43**	**$9.74**	**$0.44**	**$2.80**	**$3.80**	**$2.03**	**$9.07**	**$10.66**
Operating EPS	**$7.54**	**$9.72**	**$0.44**	**$2.80**	**$3.80**	**$2.03**	**$9.07**	**$10.66**
MARGIN ANALYSIS								
Cost of sales	77.2%	75.1%	84.9%	72.7%	69.3%	76.0%	75.1%	74.0%
Gross profit	**24.3%**	**26.7%**	**16.1%**	**29.0%**	**32.7%**	**25.6%**	**26.6%**	**27.7%**
SG&A	6.6%	6.4%	8.3%	5.7%	5.6%	6.8%	6.5%	6.5%
Operating income (expense)	**16.3%**	**18.7%**	**6.7%**	**21.5%**	**25.0%**	**17.1%**	**18.4%**	**19.4%**
Interest expense, net	-3.2%	-2.7%	-3.2%	-2.6%	-2.3%	-2.8%	-2.7%	-2.5%
Net income before taxes	13.6%	15.8%	3.6%	19.0%	22.8%	14.5%	15.8%	17.2%
Net Income	**11.1%**	**12.9%**	**2.9%**	**15.0%**	**18.0%**	**11.6%**	**12.6%**	**13.8%**
Tax rate	18.3%	18.2%	20.0%	21.0%	21.0%	20.0%	20.7%	20.0%
Incremental margin	-10.2%	41.1%	-6.3%	29.4%	10.8%	-58.5%	18.7%	36.5%
PERCENTAGE CHANGE								
Total net revenue	**7.0%**	**11.7%**	**0.3%**	**-8.6%**	**-7.0%**	**-0.6%**	**-4.5%**	**6.2%**
Cost of sales	9.5%	8.6%	0.5%	-7.8%	-8.4%	-1.2%	-4.6%	4.5%
Gross profit	**-0.5%**	**22.0%**	**-0.3%**	**-10.7%**	**-3.6%**	**1.5%**	**-4.2%**	**10.7%**
SG&A	7.0%	7.9%	-0.1%	-7.9%	-5.5%	1.0%	-3.1%	6.5%
Operating income (expense)	**-1.4%**	**28.1%**	**-8.6%**	**-12.2%**	**-4.2%**	**1.4%**	**-6.0%**	**12.2%**
EBITDA	**$1,103,765**	**$1,254,549**					**$1,217,131**	**$1,340,928**
EBITDA/diluted share	$17.48	$20.01					$19.42	$21.63
EBITDA margin	26.0%	26.5%					26.9%	27.9%

Source: Company filings; TRG Research

Appendix 3: Income Statement – SUM

($ in '000)	FY'18	FY'19	Q1'20E Mar-20	Q2'20E Jun-20	Q3'20E Sept-20	Q4'20E Dec-20	FY'20E	FY'21E
Revenue by Segment								
Product	1,600,159	1,724,462	291,515	435,073	529,950	439,951	1,696,490	1,812,643
Service	309,099	306,185	36,196	89,626	117,238	79,965	323,025	340,792
Total Net Revenue	**1,909,258**	**2,030,647**	**327,711**	**524,700**	**647,188**	**519,916**	**2,019,515**	**2,153,434**
Delivery and subcontract revenue	191,744	191,493	28,183	46,174	63,424	54,591	192,372	215,343
TOTAL Revenue	**2,101,002**	**2,222,140**	**355,895**	**570,873**	**710,612**	**574,507**	**2,211,887**	**2,368,778**
COGS by Segment								
Product	1,058,544	1,116,662	217,643	275,546	327,527	279,219	1,099,935	1,141,409
Service	225,491	218,177	28,414	68,116	85,349	59,174	241,053	250,482
Delivery and subcontract revenue	191,744	191,493	28,183	46,174	63,424	54,591	192,372	215,343
Total cost of sales	1,475,779	1,526,332	274,240	389,835	476,301	392,984	1,533,361	1,607,234
Gross profit	**625,223**	**695,808**	**81,654**	**181,038**	**234,311**	**181,523**	**678,526**	**761,543**
General and administrative expenses	253,609	262,926	70,467	62,796	63,244	68,941	265,449	286,622
Depreciation, depletion, amortization and accretion	202,910	217,102	54,000	55,000	55,000	53,000	217,000	223,510
Transaction costs	4,238	2,222	1,000	1,000	1,000	1,000	4,000	5,000
Operating (loss) income	**162,466**	**213,558**	**(43,813)**	**62,242**	**115,067**	**58,582**	**192,078**	**246,411**
Other income, net	(50,308)							
Loss on debt financings	149							
Interest expense	116,548	116,509	29,000	29,000	29,000	29,000	116,000	115,000
(Loss) income from continuing operations before taxes	96,077	97,049	(72,813)	33,242	86,067	29,582	76,078	131,411
Income tax expense (benefit)	59,747	17,101	(20,000)	20,000	38,000	15,000	53,000	35,000
Income (loss) from continuing operations	**36,330**	**79,948**	**(52,813)**	**13,242**	**48,067**	**14,582**	**23,078**	**96,411**
(Income) loss from discontinued operations								
Net income (loss)	**36,330**	**61,123**	**(52,813)**	**13,242**	**48,067**	**14,582**	**23,078**	**96,411**
Net income attributable to noncontrolling interest								
Net loss attributable to Summit Materials Holdings and Summit Mateirals Inc.								96,411
Net Income (loss) attributable to Summit Materials Holdings	**2,424**	**2,057**						
Net Income (loss) attributable to Summit Materials Inc.	**33,906**	**59,066**	**(52,813)**	**13,242**	**48,067**	**14,582**	**23,078**	**96,411**
Diluted shares - Class A common stock outstanding in Summit Materials		112,684	113,300	113,300	113,300	113,300		
Diluted shares - LP Units outstanding			3,300	3,300	3,300	3,300		
Total diluted shares	**115,147**	**115,925**	**116,600**	**116,600**	**116,600**	**116,600**	**116,600**	**116,600**
GAAP EPS	**0.30**	**0.52**	**(0.47)**	**0.12**	**0.42**	**0.13**	**0.20**	**0.83**
Operating EPS	**0.15**	**0.94**	**(0.47)**	**0.12**	**0.42**	**0.13**	**0.20**	**0.83**
Adj. EBITDA	**406,261**	**461,462**	**10,187**	**117,742**	**170,567**	**112,082**	**410,578**	**469,921**
% margin	21.3%	22.7%	3.1%	22.4%	26.4%	21.6%	20.3%	21.8%

Source: Company filings; TRG Research

Appendix 3: Income Statement – USCR

TRG | THOMPSON RESEARCH GROUP

Dec FYE ($ in thousands)	FY'18	FY'19	Q1'20E Mar	Q2'20E June	Q3'20E Sept	Q4'20E Dec	FY'20E	FY'21E
Net Sales	**1,506,400**	**1,478,700**	**330,805**	**317,611**	**372,449**	**381,721**	**1,402,586**	**1,457,423**
COGS	1,212,200	1,187,600	268,812	262,435	295,669	310,497	1,137,413	1,164,324
Gross profit	294,200	291,100	61,993	55,176	76,780	71,224	265,173	293,099
SAG	126,500	130,000	29,772	26,679	26,816	29,011	112,279	116,594
Depreciation, depletion and amortization	91,800	93,200	24,000	24,000	24,000	24,000	96,000	90,000
Goodwill Impairment/Change in Value of Contingent Consideration	0	2,800						
Impairment of Assets	1,300							
Gain/Loss on sale FA	(15,300)	(100)						
Restructuring charge								
Other								
Operating income (loss)	**89,900**	**65,200**	**8,221**	**4,497**	**25,964**	**18,213**	**56,895**	**86,505**
Other income (expense)	4,600	9,500	500	500	500	500	2,000	2,000
Gain on early extinguishment of debt								
Derivative (loss) gain								
Interest expense (income)	46,400	46,100	13,000	13,000	12,500	11,500	50,000	45,000
Reorganization items								
Net income before taxes	48,100	28,600	(4,279)	(8,003)	13,964	7,213	8,895	43,505
Provision for income taxes (benefits)	16,800	12,300	(856)	(1,601)	3,770	1,948	3,261	11,746
Operating net income	31,300	16,300	(3,423)	(6,403)	10,194	5,266	5,633	31,759
Discontinued operations earnings (loss), net								
Minority interest	(1,300)	(1,400)	(500)	(500)	(500)	(500)	(2,000)	(2,000)
Income tax benefit (provision)								
Net income	**30,000**	**14,900**	**(3,923)**	**(6,903)**	**9,694**	**4,766**	**3,633**	**29,759**
Diluted shares	16,500	16,400	16,600	16,600	16,600	16,600	16,600	16,600
GAAP Diluted EPS	1.82	0.91	(0.24)	(0.42)	0.58	0.29	0.22	1.79
Operating EPS	2.40	1.93	(0.24)	(0.42)	0.58	0.29	0.22	1.79
MARGIN ANALYSIS								
COGS	80.5%	80.9%	81.3%	82.6%	79.4%	81.3%	80.9%	80.9%
Gross profit	19.5%	19.7%	18.7%	17.4%	20.6%	18.7%	18.9%	20.1%
SAG	8.4%	8.1%	9.0%	8.4%	7.2%	7.6%	8.1%	8.0%
Operating income (expense)	6.0%	4.4%	2.5%	1.4%	7.0%	4.8%	4.1%	5.9%
Operating Net Income	2.1%	1.1%	-1.0%	-2.0%	2.7%	1.4%	0.4%	2.2%
Net Income	2.0%	1.0%	-1.2%	-2.2%	2.6%	1.2%	0.3%	2.0%
Tax rate	34.9%	43.0%	20.0%	20.0%	27.0%	27.0%	36.7%	27.0%
PERCENT CHANGE								
Total net revenue	12.8%	-1.8%	-0.7%	-13.6%	-8.9%	3.4%	-5.1%	3.9%
COGS	14.7%	-2.0%	0.2%	-11.6%	-7.9%	3.1%	-4.2%	2.4%
Gross profit	5.3%	-1.1%	-4.2%	-22.0%	-12.5%	4.7%	-8.9%	10.5%
SAG	6.2%	2.8%	-7.3%	-31.9%	-16.2%	8.7%	-13.6%	3.8%
Operating income (expense)	13.8%	-27.5%	4.1%	-25.1%	-22.0%	1.2%	-12.7%	52.0%
Operating EPS	-35.0%	-19.4%	-5526.2%	-278.7%	-52.1%	-39.6%	-88.7%	719.1%
EBITDA	**193,500**	**184,100**	**32,721**	**28,997**	**50,464**	**42,713**	**154,895**	**178,505**

Source: Company filings; TRG Research

Appendix 4: Income Statement – VMC

Dec FYE ($ in thousands)	FY'18	FY'19	Q1'20E Mar	Q2'20E June	Q3'20E Sept	Q4'20E Dec	FY'20E	FY'21E
Net Sales	3,585,940	4,008,040	902,971	1,044,433	1,151,382	1,038,009	4,136,795	4,320,370
Delivery Revenues	796,929	921,063	118,737	204,657	224,937	192,172	740,502	729,245
Total net revenue	**4,382,869**	**4,929,103**	**1,021,708**	**1,249,090**	**1,376,319**	**1,230,180**	**4,877,297**	**5,049,615**
Cost of sales	3,281,925	3,673,202	820,388	898,075	983,570	900,418	3,602,450	3,714,225
Gross profit	**1,100,944**	**1,255,901**	**201,320**	**351,015**	**392,749**	**329,763**	**1,274,847**	**1,335,390**
SAG	333,371	370,547	92,975	92,433	82,579	98,414	366,402	368,622
Gain on sale of property, plant & equipment	14,944							
Other Ops Exp, net	(34,805)	(31,647)	(5,000)	(6,500)	(7,500)	(9,000)	(28,000)	(30,000)
Operating income (loss)	**747,712**	**877,459**	**103,344**	**252,083**	**302,670**	**222,348**	**880,445**	936,768
Other non-operating income (expense), net	13,000							
Interest Expense	(137,422)	(129,001)	(31,250)	(31,250)	(31,250)	(31,250)	(125,000)	(115,000)
Net income before taxes	**623,291**	**757,701**	**72,094**	**220,833**	**271,420**	**191,098**	**755,445**	**821,768**
Provision for income taxes	105,451	135,197	14,419	44,167	54,284	38,220	151,089	164,354
Operating Net Income	**517,840**	**622,504**	**57,675**	**176,666**	**217,136**	**152,879**	**604,356**	**657,414**
Discontinued operations earnings (loss), net	(2,035)							
Net Income	**515,805**	**617,662**	**57,675**	**176,666**	**217,136**	**152,879**	**604,356**	**657,414**
Diluted shares	133,926	133,385	133,467	133,467	133,467	133,467	133,467	133,467
GAAP Diluted EPS	**$3.86**	**$4.63**	**$0.43**	**$1.32**	**$1.63**	**$1.15**	**$4.53**	**$4.93**
Operating EPS	**$4.05**	**$4.70**	**$0.43**	**$1.32**	**$1.63**	**$1.15**	**$4.53**	**$4.93**
MARGIN ANALYSIS								
COGS	67.3%	63.7%	80.3%	71.9%	71.5%	73.2%	73.9%	73.6%
Gross profit	**25.1%**	**25.5%**	**19.7%**	**28.1%**	**28.5%**	**26.8%**	**26.1%**	**26.4%**
SAG	7.6%	7.5%	9.1%	7.4%	6.0%	8.0%	7.5%	7.3%
Operating income (expense)	**17.1%**	**17.8%**	**10.1%**	**20.2%**	**22.0%**	**18.1%**	**18.1%**	**18.6%**
Net income before taxes	14.2%	15.4%	7.1%	17.7%	19.7%	15.5%	15.5%	16.3%
Operating Net Income	11.8%	12.6%	5.6%	14.1%	15.8%	12.4%	12.4%	13.0%
Net Income	**11.8%**	**12.5%**	**5.6%**	**14.1%**	**15.8%**	**12.4%**	**12.4%**	**13.0%**
Tax rate	16.9%	17.8%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%
PERCENTAGE CHANGE								
Total net revenue	**12.7%**	**12.5%**	**2.5%**	**-5.9%**	**-3.0%**	**3.7%**	**-1.1%**	**3.5%**
COGS	13.4%	11.9%	1.9%	-6.2%	-3.4%	0.8%	-1.9%	3.1%
Gross profit	10.6%	14.1%	5.0%	-5.3%	-2.0%	12.5%	1.5%	4.7%
SAG	2.7%	11.2%	3.0%	-3.4%	-7.0%	2.7%	-1.1%	0.6%
Operating income (expense)	**16.6%**	**17.4%**	**-1.0%**	**-8.7%**	**-0.2%**	**14.9%**	**0.3%**	**6.4%**
Operating Net Income	-12.7%	20.2%	-9.8%	-10.7%	-0.4%	7.2%	-2.9%	8.8%
Net Income	-14.2%	19.7%	-8.9%	-10.6%	0.7%	8.4%	-2.2%	8.8%
Operating EPS	33.2%	16.0%	-6.1%	-10.6%	-3.2%	6.1%	-3.7%	8.8%
EBITDA	**1,131,743**	**1,270,030**	**197,204**	**346,343**	**400,630**	**320,908**	**1,265,085**	**1,348,333**
EBITDA/diluted share	$8.45	$9.52	$1.48	$2.59	$3.00	$2.40	$9.48	$10.10
EBITDA margin	25.8%	25.8%	19.3%	27.7%	29.1%	26.1%	25.9%	26.7%

Source: Company filings; TRG Research

Important Disclosures

Analyst Certification:

The analyst(s) principally responsible for the preparation of this research report certify that the views expressed in this research report accurately reflect his/her (their) personal views about the subject security (ies) or issuer(s) and that his/her (their) compensation was not, is not, or will not be directly or indirectly related to the specific recommendations or views contained in this research report.

Analyst:

- The analyst does not serve as an officer, director, or advisory board member of the subject company.
- The analyst or a member of the analyst's household does not have a long position in shares or derivatives of the subject company.
- The analyst or a member of the analyst's household does not have a short position in shares or derivatives of the subject company.

The research analyst responsible for preparation of this report has not received any compensation from the subject company in the past 12 months.

Receipt of Compensation:

TRG has received or expects to receive compensation for non-investment banking securities-related services performed in the past 12 months for the company Summit Materials (SUM) mentioned in this report.

Thompson Research Group, LLC does not make markets in securities. The firm does not perform or seek to perform investment-banking services for these companies in the future. Analysts receive no direct compensation in connection with the firm's investment banking business. All TRG employees, including the analyst(s) responsible for preparing this research report, may be eligible to receive non-product or service specific monetary bonus compensation that is based upon various factors, including total revenues of TRG and its affiliates as well as a portion of the proceeds from a broad pool of investment vehicles consisting of components of the compensation generated by directors, analysts or employees and may effect transactions in and have long or short positions in the securities (options or warrants with respect thereto) mentioned herein.

Although the statements of fact in this report have been obtained from and are based upon recognized statistical services, issuer reports or communications, or other sources that the firm believes to be reliable, we cannot guarantee their accuracy.

All opinions and estimates included constitute the analyst's judgment as of the date of this report and are subject to change without notice. The firm may effect transactions as agent in the securities mentioned herein.

This report is offered for information purposes only, and does not constitute an offer or solicitation to buy or sell any securities discussed herein in any jurisdiction where such would be prohibited.

Additional information available upon request.

Important Disclosures (continued)

IRC Securities:

Thompson Research Group (TRG) is a member of IRC Securities' Prime Services Platform. IRC Securities is a FINRA registered broker-dealer that is focused on supporting the independent research industry. Certain personnel of TRG (i.e. Research Analysts) are registered representatives of IRC Securities, a FINRA member firm registered as a broker-dealer with the Securities and Exchange Commission and certain state securities regulators. As registered representatives and independent contractors of IRC Securities, such personnel may receive commissions paid to or shared with IRC Securities for transactions placed by TRG clients directly with IRC Securities or with securities firms that may share commissions with IRC Securities in accordance with applicable SEC and FINRA requirements.

As registered representatives of IRC Securities, our analysts must follow IRC Securities' Written Supervisory Procedures. Notable compliance policies include (1) prohibition of insider trading or the facilitation thereof, (2) maintaining client confidentiality, (3) archival of electronic communications, and (4) appropriate use of electronic communications, amongst other compliance related policies.

TRG does not have the same conflicts that traditional sell-side research organizations have because TRG (1) does not conduct an investment banking activities and (2) our clients are only institutional investors.

Thompson Research Group as of 4/1/19 no longer publishes ratings on individual stocks.

Important Disclosures (continued)

Additional Significant Risk Factors and Investment Considerations

The securities or trading strategies discussed in this report may not be suitable for some investors. Investors must independently evaluate each issuer, security, or instrument discussed in this report and consult independent advisors where necessary.

1. Past Performance is not indicative of future results.

2. Market Risk: Securities may decline in value due to factors affecting securities markets generally or particular industries. The value of a security may be worth less than the original investment.

3. Concentration risk: Investing a substantial portion of assets in securities within a single industry or sector of the economy may be subject to greater price volatility or adversely affected by the performance of securities in that particular sector or industry.

4. Leverage Risk: Fluctuations in interest rates on borrowings or the dividend rates on preferred shares as a result of changes in short-term interest rates may reduce the return to common shareholders or result in fluctuations in the dividends paid on the common shares. There is no assurance that a leverage strategy will be successful.

5. Foreign Investment Risk: Investment in foreign securities (both governmental and corporate) may involve a high degree of risk. In regards to debt securities, such risks may impair the timely payment of principal and/or interest.

6. Short selling involves an inordinate amount of risk including the theoretical potential for unlimited losses and losses that can greatly exceed the principal amount invested. In contrast, the potential gain from short selling is generally limited to the principal amount invested. Short sellers can have their stock called away by the lender of the shares shorted, subjecting the short seller to incremental risk. Short sellers by definition must borrow shares, subjecting short sellers to margin risk. The risks cited here with respect to short selling are not all inclusive and investors should consult with their independent advisors prior to engaging in any recommended short selling strategies, including, if applicable, the short sale recommended in this report.

The risks detailed above are not inclusive. Other significant risk factors not identified here may be equally or more important to any particular investor in terms of assessing the overall risks associated with these securities.

The information contained herein is illustrative and is not intended to predict actual results, which may differ substantially from those reflected herein.

Investors should consider this report as only a single factor in making their investment decision.