

Martin Marietta Materials - Price, Tons, and the Next Growth Market

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Decision scope: Aggregates-led growth priorities

Case convention: The resource-allocation decision is hypothetical. Company disclosures and management statements are public historical evidence; no private deliberations are represented.

The decision

Imagine that you advise Martin Marietta Materials as it plans its next phase of growth. The company has just reported a quarter in which aggregates shipments declined while realized pricing and gross profit rose. It has also said that the proceeds from a recently completed cement-plant sale give it flexibility to pursue pure-play aggregates acquisitions. Management sees infrastructure and large manufacturing projects as sources of demand, while acknowledging softer residential, warehouse, and light industrial construction. [S2-S3]

Where should Martin Marietta direct its next increment of growth effort?

1. **Defend value-over-volume performance:** continue pricing discipline and focus on operating efficiency in existing markets.
2. **Invest organically:** prioritize capacity, reserves, permitting, and efficiency improvements at selected local operations.
3. **Pursue selective acquisitions:** use the aggregates-led portfolio strategy to add reserves or access in attractive markets.

Choose a priority, explain the strongest argument against it, and identify what local evidence the company should gather before committing further resources. These are classroom alternatives inferred from public disclosures-not an announced management plan, a disclosed ranking, or a specified budget. Use only evidence available by the cutoff.

A local business at national scale

Aggregates-crushed stone, sand, and gravel-are essential inputs to roads, bridges, buildings, utilities, and other projects. Martin Marietta's 2022 Form 10-K described a network of about 350 quarries, mines, and distribution yards across 28 states, Canada, and The Bahamas. Aggregates represented 69% of the company's 2022 product-and-service gross profit. The company also operated cement, ready-mixed concrete, asphalt and paving, and Magnesia Specialties businesses. [S1]

The company reported average aggregates reserves equal to about 75 years of production at its 2022 rate. That average did not mean that every quarry had a long reserve life or room to expand: the same filing said some sites had more limited reserves and might not be expandable. Management described locating and permitting deposits near growing markets or transportation corridors as a challenge. [S1]

The national footprint did not make the business a single national market. A quarry's position depended on the deposits it could economically mine, available permits, transportation, nearby projects, and competing supply. In its filings, Martin Marietta identified construction cycles, public funding, interest rates, energy and input costs, weather, labor, transportation, and acquisition synergies among the factors that could affect operations. [S1-S2]

The quarter: higher prices, fewer tons

Martin Marietta reported third-quarter 2023 results from continuing operations. Consolidated revenue was \$1.994 billion, compared with \$1.812 billion a year earlier; gross profit was \$676.0 million, up 38.6%. These company-wide figures combined aggregates with other building-materials and specialty businesses. [S3]

For aggregates, the company reported a 7.3% decline in shipments. Pricing increased 20.0%, or 17.2% on a mix-adjusted basis, and gross profit rose 32.1% to \$440.6 million. Management attributed softer demand to some Midwest and Southwest markets and cited continued strength in parts of the Southeast. It said pricing growth more than offset lower shipments and higher costs and described the quarter as reinforcing its "value-over-volume" approach. [S3]

The distinction between reported and mix-adjusted pricing matters. A shift in the products, customers, or locations sold can move a company-wide average even without the same price change for a comparable product at a comparable site. The release does not disclose quarry-level price changes, customer losses, competitor bids, or contribution by local market. It therefore does not show how much of the result came from pricing actions, market mix, cost changes, or demand.

Results elsewhere in the portfolio also had different drivers. Cement shipments were relatively flat while reported pricing increased 18.9%; the company cited largely sold-out conditions. Ready-mixed concrete revenue rose 25.3% to \$285.2 million and gross profit rose 81.8% to \$34.1 million. Asphalt and paving revenue rose 14.6% while gross profit increased 33.0%; the company said lower natural-gas and liquid-asphalt costs augmented pricing growth. These segment outcomes should not be treated as evidence of aggregates economics. [S3]

Selected company-reported measures

Measure	Third quarter 2023	What it describes
Aggregates shipments	–7.3% year over year	Tons shipped; the volume comparison includes internal tons in the company's annual guidance definition.
Aggregates price	+20.0%; +17.2% mix-adjusted	Company-reported averages. Mix-adjusted price is a distinct measure intended to control for product mix.
Aggregates gross profit	\$440.6 million; +32.1%	Segment gross profit, not project return or shareholder value.
2023 aggregates volume guidance	–4% to –5%	Management's revised full-year forecast, not a result.
2023 aggregates ASP guidance	+18% to +20%	Management's revised full-year forecast, not a realized price change.

Sources: [S3], results and guidance sections. Company guidance excludes discontinued operations.

What management expected next

In the same release, management's preliminary view for 2024 expected aggregates shipments to be relatively flat. It expected public infrastructure and large heavy-nonresidential projects to partly offset softness in interest-sensitive private light-nonresidential and residential markets. Management anticipated low-double-digit aggregates pricing growth, including 2023 carryover and January 2024 increases; the preliminary view excluded any incremental benefit from mid-year 2024 pricing actions. These were forecasts, not outcomes or commitments. [S3]

Management also reported that it closed the sale of its Tehachapi, California cement plant for \$315 million on 31 October. The CEO said the sale largely completed planned asset sales from the 2021 Lehigh Hanson West acquisition, improved the company's product mix, and provided flexibility to redeploy proceeds into pure-play aggregates acquisitions. Those are management's stated reasons; the public release did not establish the sale's total return or the value of any future acquisition. [S3]

As of 30 September, Martin Marietta reported \$647.6 million of unrestricted cash and \$1.20 billion of unused borrowing capacity. In the first nine months of 2023, operating cash flow was \$972.5 million, capital expenditures paid were \$464.1 million, and dividends plus repurchases totaled \$278.2 million. The company forecast full-year 2023 capital expenditures of \$575 million to \$625 million. Cash, borrowing capacity, historical spending, and a full-year forecast are different measures; none specifies a discretionary growth budget. [S3]

A competitor's quarter

Vulcan Materials, another large aggregates producer, reported third-quarter results on 26 October. Its aggregates shipments declined 2%, freight-adjusted prices increased 15%, and aggregates gross profit grew 17%. Vulcan cited pricing momentum and operating execution; it also said strength in some industrial-project markets partly dampened residential weakness. [S4]

The two companies' results point to a broader sector pattern of higher prices alongside lower shipments, but the figures are not a controlled comparison. They use different price definitions and may reflect different geographic markets, mix, freight treatment, and portfolio changes. The peer result cannot identify which company's strategy caused its performance.

What research can add

Syverson studied U.S. ready-mixed concrete plants using Census plant and product data for 1982, 1987, and 1992. His model and cross-market analysis link spatial substitutability and producer density to local competition. In denser markets, the paper found associations with less productivity dispersion and higher average and lower-tail productivity. With broader density controls, however, median and output-weighted average productivity estimates became statistically insignificant, while dispersion, lower-tail, and plant-size patterns persisted. The sample consisted of downstream concrete plants, not aggregates quarries, and the analysis does not estimate Martin Marietta's pricing effect, acquisition value, or project returns. [A1]

Collard-Wexler used histories of more than 15,000 U.S. ready-mix concrete plants from 1976-1999 to estimate a dynamic model of local entry, exit, and investment. He simulated a policy that smoothed short-term county construction-demand fluctuations while leaving longer-run trends intact. The abstract reports that the simulation increased plant counts by 39%, investment by 44%, and reduced entry and exit by 25%. Table IX reports annual-average plant counts during years 25-50 after policy implementation of 3,645 without smoothing and 5,433 with five-year smoothing, an arithmetic increase of about 49%; the paper does not explain the difference from the abstract's 39%. This is a model-based counterfactual in downstream ready-mix concrete, not an observed policy, a forecast for Martin Marietta, or an estimate of acquisition returns. [A2]

Together, the studies suggest that local competition, operating efficiency, demand persistence, and the cost of changing capacity matter. Neither paper tells Martin Marietta which quarry to expand, what price to charge, or what multiple to pay for an asset. Local reserves, permits, project timing, delivered costs, and competitor capacity would be necessary to assess a specific choice.

Assignment

Prepare a brief recommendation to Martin Marietta's leadership. Address the following:

1. Which of the three growth priorities should receive the next increment of effort, and in which types of local markets?
2. How should the company distinguish a favorable price-and-profit result from sustainable local demand or competitive advantage?
3. What evidence would you require before organic expansion or an acquisition, and what would cause you to change your view?

Do not assume the company has disclosed an available capital pool, an acquisition target, a site-level return, or an internal debate. State any assumptions you make. No financial model is required.

Sources

- **[S1]** Martin Marietta Materials, Inc., 2022 Form 10-K, filed 24 February 2023. [SEC filing](#), Item 1 “Business,” aggregates and end markets; Item 1A, construction, reserves and competition risk; Item 2 “Properties,” location count and reserve-life disclosure.
- **[S2]** Martin Marietta Materials, Inc., Q3 2023 Form 10-Q, filed 1 November 2023. [SEC filing](#), MD&A and Item 3 market-risk disclosure.
- **[S3]** Martin Marietta Materials, Inc., “Martin Marietta Reports Third-Quarter 2023 Results,” Form 8-K Exhibit 99.1, 1 November 2023. [SEC release](#), pp. 1-4: management commentary, segment results, capital allocation and liquidity, FY2023 guidance, preliminary 2024 view; pp. 5-6: forward-looking-statement risks.
- **[S4]** Vulcan Materials Company, “Vulcan Reports Third Quarter 2023 Results,” 26 October 2023. [Company release text](#), highlights table and “Aggregates” section; [official investor-relations PDF](#).
- **[A1]** Syverson, Chad. 2004. “Market Structure and Productivity: A Concrete Example.” *Journal of Political Economy* 112(6): 1181-1222. [DOI](#). Full May 2004 NBER Working Paper 10501: [PDF](#), empirical results and Table 2, WP pp. 22-24 and 43-44.
- **[A2]** Collard-Wexler, Allan. 2013. “Demand Fluctuations in the Ready-Mix Concrete Industry.” *Econometrica* 81(3): 1003-1037. [DOI](#). [Full article PDF](#), abstract pp. 1003-05; sample/model pp. 1010-26; Tables VIII-IX and counterfactual pp. 1030-33.