Summit Materials, Inc.
Form 10-K
February 22, 2016
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended January 2, 2016

OR

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission file numbers:

001-36873 (Summit Materials, Inc.)

333-187556 (Summit Materials, LLC)

SUMMIT MATERIALS, INC.

SUMMIT MATERIALS, LLC

(Exact name of registrants as specified in their charters)

Delaware (Summit Materials, Inc.)	**47-1984212**
Delaware (Summit Materials, LLC)	**26-4138486**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
1550 Wynkoop Street, 3rd Floor	
Denver, Colorado	**80202**
(Address of principal executive offices)	**(Zip Code)**

Registrants telephone number, including area code: (303) 893-0012

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	**Name of each exchange on which registered**
Class A Common Stock (par value $.01 per share)	**New York Stock Exchange**

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Summit Materials, Inc.	Yes ¨ No x
Summit Materials, LLC	Yes ¨ No x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Summit Materials, Inc.	Yes ¨ No x
Summit Materials, LLC	Yes ¨ No x

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Summit Materials, Inc.	Yes x No ¨
Summit Materials, LLC	Yes x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Summit Materials, Inc.	Yes x No ¨
Summit Materials, LLC	Yes x No ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K x

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Summit Materials, Inc.

Large accelerated filer	¨	Accelerated filer	¨
Non-accelerated filer	x (Do not check if smaller reporting company)	Smaller reporting company	¨

Summit Materials, LLC

Large accelerated filer	¨	Accelerated filer	¨
Non-accelerated filer	x (Do not check if smaller reporting company)	Smaller reporting company	¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Summit Materials, Inc.	Yes ¨ No x
Summit Materials, LLC	Yes ¨ No x

The aggregate market value of the Summit Materials, Inc. voting stock held by non-affiliates of the Registrants as of June 26, 2015 was approximately $697.5 million.

As of February 17, 2016, the number of shares of Summit Materials, Inc. s outstanding Class A and Class B common stock, par value $0.01 per share for each class, was 49,746,982 and 69,007,297, respectively.

As of February 17, 2016, 100% of Summit Materials, LLC s outstanding limited liability company interests were held by Summit Materials Intermediate Holdings, LLC, its sole member and an indirect subsidiary of Summit Materials,

Inc.

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EXPLANATORY NOTE

This annual report on Form 10-K (this report) is a combined annual report being filed separately by two registrants: Summit Materials, Inc. and Summit Materials, LLC. Each registrant hereto is filing on its own behalf all of the information contained in this report that relates to such registrant. Each registrant hereto is not filing any information that does not relate to such registrant, and therefore makes no representation as to any such information. We believe that combining the annual reports on Form 10-K of Summit Materials, Inc. and Summit Materials, LLC into this single report eliminates duplicative and potentially confusing disclosure and provides a more streamlined presentation since a substantial amount of the disclosure applies to both registrants.

Unless stated otherwise or the context requires otherwise, references to Summit Inc. mean Summit Materials, Inc., a Delaware corporation, and references to Summit LLC mean Summit Materials, LLC, a Delaware limited liability company. The references to Summit Inc. and Summit LLC are used in cases where it is important to distinguish

between them. We use the terms we, our, us or the Company to refer to Summit Inc. and Summit LLC together wit their respective subsidiaries, unless otherwise noted or the context otherwise requires.

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Summit Inc. was formed on September 23, 2014 to be a holding company. As of January 2, 2016, its sole material asset was a 49.7% economic interest in Summit Materials Holdings L.P. (Summit Holdings). Summit Inc. has 100% of the voting rights of Summit Holdings, which is the indirect parent of Summit LLC. Summit LLC is a co-issuer of our outstanding $6^{1}/_{8}$% senior notes due 2023 (the 2023 Notes). Summit Inc. s only revenue for the year ended January 2, 2016 is that generated by Summit LLC. Summit Inc. controls all of the business and affairs of Summit Holdings and, in turn, Summit LLC, as a result of its reorganization into a holding corporation structure (the Reorganization) consummated in connection with its initial public offering (IPO).

DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements within the meaning of the federal securities laws, which involve risks and uncertainties. Forward-looking statements include all statements that do not relate solely to historical or current facts, and you can identify forward-looking statements because they contain words such as believes, expects, may, will, should, seeks, intends, trends, plans, estimates, projects or anticipates or similar expressions tha strategy, plans, expectations or intentions. All non-historical statements such as those relating to our estimated and projected earnings, margins, costs, expenditures, cash flows, growth rates and financial results are forward-looking statements. These forward-looking statements are subject to risks and uncertainties that may change at any time, and, therefore, our actual results may differ materially from those expected. We derive many of our forward-looking statements from our operating budgets and forecasts, which are based upon many detailed assumptions. While we believe that our assumptions are reasonable, it is very difficult to predict the effect of known factors, and it is impossible to anticipate all factors that could affect our actual results.

Some of the important factors that could cause actual results to differ materially from our expectations are disclosed under Risk Factors and elsewhere in this report. All subsequent written and oral forward-looking statements attributable to us, or persons acting on our behalf, are expressly qualified in their entirety by these cautionary statements.

We undertake no obligation to publicly update or revise any forward-looking statement as a result of new information, future events or otherwise, except as otherwise required by law.

CERTAIN DEFINITIONS

As used in this report, unless otherwise noted or the context otherwise requires:

Finance Corp. refers to Summit Materials Finance Corp., a wholly-owned indirect subsidiary of Summit LLC;

Issuers refers to Summit LLC and Finance Corp.;

Cornejo refers collectively to Cornejo & Sons, L.L.C., C&S Group, Inc., Concrete Materials Company of Kansas, LLC and Cornejo Materials, Inc.;

Continental Cement refers to Continental Cement Company, L.L.C.;

Harper Contracting refers collectively to substantially all the assets of Harper Contracting, Inc., Harper Sand and Gravel, Inc., Harper Excavating, Inc., Harper Ready Mix Company, Inc. and Harper Investments, Inc.;

Altaview Concrete refers collectively to Altaview Concrete, LLC, Peak Construction Materials, LLC, Peak Management, L.C. and Wasatch Concrete Pumping, LLC;

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RK Hall refers collectively to R.K. Hall Construction, Ltd., RHMB Capital, L.L.C., Hall Materials, Ltd., B&H Contracting, L.P., RKH Capital, L.L.C. and SCS Materials, L.P.;

B&B refers collectively to B&B Resources, Inc., Valley Ready Mix, Inc. and Salt Lake Sand & Gravel, Inc.;

Industrial Asphalt refers collectively to Industrial Asphalt, LLC, Asphalt Paving Company of Austin, LLC, KBDJ, L.P. and all the assets of Apache Materials Transport, Inc.;

Ramming Paving refers collectively to J.D. Ramming Paving Co., LLC, RTI Hot Mix, LLC, RTI Equipment Co., LLC and Ramming Transportation Co., LLC;

Lafarge refers to Lafarge North America Inc. prior to its parent company s merger with Holcim (US) Inc. s parent company effective in July 2015. Subsequent to the merger, Lafarge and Holcim (US) Inc. are referred to as LafargeHolcim;

Westroc refers to Westroc, LLC;

Alleyton refers collectively to Alleyton Resource Company, LLC, Alcomat, LLC and Alleyton Services Company, LLC, the surviving entities from the acquisition of Alleyton Resource Corporation, Colorado Gulf, LP and certain assets of Barten Shepard Investments, LP;

Troy Vines refers to Troy Vines, Incorporated;

Buckhorn Materials refers to Buckhorn Materials, LLC, which is the surviving entity from the acquisition of Buckhorn Materials LLC and Construction Materials Group LLC;

Canyon Redi-Mix refers collectively to Canyon Redi-Mix, Inc. and CRM Mixers LP;

Mainland refers to Mainland Sand & Gravel ULC, which is the surviving entity from the acquisition of Rock Head Holdings Ltd., B.I.M. Holdings Ltd., Carlson Ventures Ltd., Mainland Sand and Gravel Ltd. and Jamieson Quarries Ltd.;

Southwest Ready Mix refers to Southwest Ready Mix, LLC;

Colorado County S&G refers to Colorado County Sand & Gravel Co., L.L.C., which is the surviving entity from the acquisition of Colorado County Sand & Gravel Co., L.L.C, M & M Gravel Sales, Inc., Marek

Materials Co. Operating, Ltd. and Marek Materials Co., L.L.C.;

Concrete Supply refers to Concrete Supply of Topeka, Inc., Penny s Concrete and Ready Mix, L.L.C. and Builders Choice Concrete Company of Missouri, L.L.C.;

Lewis & Lewis refers to Lewis & Lewis, Inc.;

Davenport Assets refer to a cement plant and quarry in Davenport, Iowa and seven cement distribution terminals along the Mississippi River;

LeGrand refers to LeGrand Johnson Construction Co.;

Pelican refers to Pelican Asphalt Company, LLC;

Blackstone refers to investment funds associated with or designated by The Blackstone Group L.P. and its affiliates;

Silverhawk refers to certain investment funds affiliated with Silverhawk Summit, L.P.;

Sponsors refers to certain investment funds affiliated with Blackstone Capital Partners V L.P. and Silverhawk Summit, L.P.; and

EBITDA refers to net income (loss) before interest expense, income tax expense, depreciation, depletion and amortization expense.

Defined terms above that relate to our completed acquisitions are in chronological order. See Business Acquisition History for a table of acquisitions we have completed since August 2009.

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PART I

Item 1. BUSINESS.

Overview

We are one of the fastest growing construction materials companies in the United States, with an 82% increase in revenue between the year ended December 31, 2011 and the year ended January 2, 2016, as compared to an average increase of approximately 38% in revenue reported by our competitors over the same period. Our materials include aggregates, which we supply across the country, with a focus on Texas, Kansas, Utah, Missouri and Kentucky, and cement, which we supply primarily in Missouri, Iowa and along the Mississippi River. Within our markets, we offer customers a single-source provider for construction materials and related downstream products through our vertical integration. In addition to supplying aggregates to customers, we use our materials internally to produce ready-mixed concrete and asphalt paving mix, which may be sold externally or used in our paving and related services businesses. Our vertical integration creates opportunities to increase aggregates volumes, optimize margin at each stage of production and provide customers with efficiency gains, convenience and reliability, which we believe gives us a competitive advantage.

Since our first acquisition more than six years ago, we have rapidly become a major participant in the U.S. construction materials industry. We believe that, by volume, we are a top 10 aggregates supplier, a top 15 cement producer and a major producer of ready-mixed concrete and asphalt paving mix. Our revenue in 2015 was $1.4 billion with net income of $1.5 million. Our proven and probable aggregates reserves were 2.1 billion tons as of January 2, 2016. In the year ended January 2, 2016 we sold 32.3 million tons of aggregates, 1.7 million tons of cement, 3.4 million cubic yards of ready-mixed concrete and 4.4 million tons of asphalt paving mix across our more than 200 sites and plants.

Our rapid growth achieved over the last six years has been due in large part to our acquisitions, which we funded with equity and debt financing. During this period, we witnessed a cyclical decline followed by a slow recovery in the private construction market and nominal growth in public infrastructure spending. However, the private construction market is beginning to rebound, which we believe signals the outset of a strong growth period in our industry and end markets. We believe we are well positioned to capitalize on this anticipated recovery to grow our business and reduce our leverage over time. As of January 2, 2016, our total indebtedness was approximately $1,296.8 million.

The private construction market includes residential and nonresidential new construction and the repair and remodel market. According to the Portland Cement Association (PCA), the number of total housing starts in the United States, a leading indicator for our residential business, is expected to grow 38% from 2015 to 2019. In addition, the PCA projects that spending in private nonresidential construction will grow 12% over the same period. The private construction market represented 59% of our revenue in 2015.

Public infrastructure, which includes spending by federal, state and local governments for roads, highways, bridges, airports and other public infrastructure projects, has been a relatively stable portion of government budgets providing consistent demand to our industry and is projected by the PCA to grow approximately 12% from 2014 to 2017. With the nation s infrastructure aging, we expect U.S. infrastructure spending to grow over the long term, and we believe we are well positioned to capitalize on any such increase. Despite this projected growth, we do not believe it will be consistent across the United States, but will instead be concentrated in certain regions. The public infrastructure market represented 41% of our revenue in 2015.

In addition to the anticipated growth in our end markets, we expect higher volume and pricing in our core product categories. The PCA estimates that cement consumption will increase approximately 15% from 2014 to 2017, reflecting rising demand in the major end markets. At the same time, we believe that cement pricing will be driven higher by tightening production capacity in the United States, where the PCA projects consumption will exceed domestic cement capacity by 2017 driven by both increasing demand and by capacity constraints

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arising from the U.S. Environmental Protection Agency s (EPA) National Emission Standards for Hazardous Air Pollutants (NESHAP) regulation for Portland Cement Plants (PC-MACT), with which compliance was required in September 2015, notwithstanding certain extensions granted to individual cement plants to September 2016.

Historically, we have sought to supplement organic growth potential with acquisitions, by strategically targeting attractive, new markets or expanding in existing markets. We consider population trends, employment rates, competitive landscape, private construction outlook, public funding and various other factors prior to entering a new market. In addition to analyzing macroeconomic data, we seek to establish, and believe that we have, a top three position in our local markets, which we believe supports sustainable organic growth and attractive returns. This positioning provides local economies of scale and synergies, which benefit our pricing, costs and profitability.

Our acquisition strategy, to date, has helped us to achieve scale and rapid growth, and we believe that significant opportunities remain for growth through acquisitions. We estimate that approximately 65% of the U.S. construction materials market is privately owned. From this group, our senior management team maintains contact with over 300 private companies. These long-standing relationships, cultivated over decades, have been the primary source for our past acquisitions and, we believe, will be a key driver of our future growth. We believe the value proposition we offer to potential sellers has made us a buyer of choice and has enabled us to largely avoid competitive auctions and instead negotiate directly with sellers at attractive valuations.

Our Business Segments

In the fourth quarter of 2015, we reorganized the operations and management reporting structure of our cement business and East segment operations, resulting in a change to our reportable business segments. We now conduct our cement business separate from our regional segments. As a result, the cement business is a reportable business segment. In addition, we have combined the material-based businesses centered in Kansas and Missouri with the Kentucky-based operations, creating an expanded East segment and eliminating what was the Central region. These changes did not affect the West region.

Information concerning our total revenue, profit, assets employed and certain additional information attributable to each reportable business segment for each year in the three-year period ended January 2, 2016, as included in Note 21: Segment Information of the Notes to Financial Statements of our 2015 consolidated financial statements, which are included under Item 8 of this Form 10-K and throughout this report have been recast to reflect the current segment structure.

We operate in 21 U.S. states and in British Columbia, Canada and currently have assets in 19 U.S. states and in British Columbia, Canada through our three operating segments: West; East; and Cement. In addition to the cement business, we have platform businesses in the west and east segments that have their own management team that, in turn, reports to a segment president who is responsible for overseeing the operating businesses, developing growth opportunities, implementing best practices and integrating acquired businesses. Acquisitions are an important element of our strategy, as we seek to enhance value through increased scale and cost savings within local markets.

West Segment: Our West segment includes operations in Texas, the Mountain states of Utah, Colorado, Idaho and Wyoming and in British Columbia, Canada. We supply aggregates, ready-mixed concrete, asphalt paving mix and paving and related services in the West segment. As of January 2, 2016, the West segment controlled approximately 0.7 billion tons of proven and probable aggregates reserves and $415.6 million of net property, plant and equipment and inventories (hard assets). During the year ended January 2, 2016,

approximately 56% of our revenue and approximately 47% of our Adjusted EBITDA, excluding corporate charges, were generated in the West segment.

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East Segment: Our East segment serves markets extending across the Midwestern and Eastern United States, most notably in Kansas, Missouri, Kentucky, South Carolina, Nebraska and Iowa where we supply aggregates, ready-mixed concrete, asphalt paving mix and paving and related services. As of January 2, 2016, the East segment controlled approximately 0.9 billion tons of proven and probable aggregates reserves and $370.5 million of hard assets. During the year ended January 2, 2016, approximately 30% of our revenue and approximately 29% of our Adjusted EBITDA, excluding corporate charges, were generated in the East segment.

Cement Segment: Our Cement segment consists of our Hannibal, Missouri and Davenport, Iowa cement plants and eight distribution terminals along the Mississippi River from Minnesota to Louisiana. The Hannibal, Missouri plant was commissioned in 2008 and is a highly efficient, technologically advanced, integrated manufacturing and distribution system strategically located 100 miles north of St. Louis along the Mississippi River. We utilize an on-site solid and liquid waste fuel processing facility, which can reduce the plant s fuel costs by up to 50% and is one of only 12 facilities in the United States with such capabilities. In July 2015, we acquired the cement plant in Davenport, Iowa and seven distribution terminals along the Mississippi River. The Davenport cement plant primarily serves markets in Missouri, Iowa and along the Mississippi River. Our production capacity approximately doubled with the acquisition of the Davenport Assets. As of January 2, 2016, the Cement segment controlled approximately 0.5 billion tons of proven and probable aggregates reserves, which serve its cement business, and $602.7 million of hard assets. During the year ended January 2, 2016, approximately 14% of our revenue and approximately 24% of our Adjusted EBITDA, excluding corporate charges, were generated in the Cement segment.

Acquisition History

The following table lists acquisitions we have completed since August 2009:

Company	Date of Acquisition	Segment
Hamm, Inc.	August 25, 2009	East
Hinkle Contracting Company, LLC	February 1, 2010	East
Cornejo	April 16, 2010	East
Elmo Greer & Sons, LLC	April 20, 2010	East
Continental Cement	May 27, 2010	Cement
Harshman Construction L.L.C. and Harshman Farms, Inc.	June 15, 2010	East
South Central Kentucky Limestone, LLC	July 23, 2010	East
Harper Contracting	August 2, 2010	West
Kilgore Pavement Maintenance, LLC and Kilgore Properties, LLC	August 2, 2010	West
Con-Agg of MO, L.L.C.	September 15, 2010	East
Altaview Concrete	September 15, 2010	West
EnerCrest Products, Inc.	September 28, 2010	West
RK Hall	November 30, 2010	West
Triple C Concrete, Inc.	January 14, 2011	West
Elam Construction, Inc.	March 31, 2011	West
Bourbon Limestone Company	May 27, 2011	East
Fischer Quarries, L.L.C.	May 27, 2011	East
B&B	June 8, 2011	West
Grand Junction Concrete Pipe, Inc.	June 10, 2011	West

Industrial Asphalt	August 2, 2011	West
Ramming Paving	October 28, 2011	West
Norris Quarries, LLC	February 29, 2012	East
Kay & Kay Contracting, LLC	October 5, 2012	East
Sandco Inc.	November 30, 2012	West

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Lafarge-Wichita	April 1, 2013	East
Westroc	April 1, 2013	West
Alleyton	January 17, 2014	West
Troy Vines	March 31, 2014	West
Buckhorn Materials	June 9, 2014	East
Canyon Redi-Mix	July 29, 2014	West
Mainland	September 4, 2014	West
Southwest Ready Mix	September 19, 2014	West
Colorado County S&G	September 30, 2014	West
Concrete Supply	October 3, 2014	East
Lewis & Lewis	June 1, 2015	West
Davenport Assets	July 17, 2015	Cement
LeGrand	August 21, 2015	West
Pelican	December 11, 2015	West
American Materials Company	February 5, 2016	East

Our End Markets

Residential Construction. Residential construction includes single family houses and multi-family units such as apartments and condominiums. Demand for residential construction is influenced by employment prospects, new household formation and mortgage interest rates. In recent years, foreclosures have resulted in an oversupply of available houses, which had dampened the demand for new residential construction in many markets in the United States. However, employment prospects have improved, foreclosure rates have stabilized and demand has begun to grow, although the rate of growth is inconsistent across the United States.

Nonresidential Construction. Nonresidential construction encompasses all privately financed construction other than residential structures. Demand for nonresidential construction is driven by population and economic growth. Population growth spurs demand for stores, shopping centers and restaurants. Economic growth creates demand for projects such as hotels, office buildings, warehouses and factories. The supply of nonresidential construction projects is affected by interest rates and the availability of credit to finance these projects.

Public Infrastructure Construction. Public infrastructure construction includes spending by federal, state and local governments for highways, bridges, airports, schools, public buildings and other public infrastructure projects. Public infrastructure spending has historically been more stable than private sector construction. We believe that public infrastructure spending is less sensitive to interest rate changes and economic cycles and often is supported by multi-year federal and state legislation and programs. A significant portion of our revenue is derived from public infrastructure projects. As a result, the supply of federal and state funding for public infrastructure highway construction significantly affects our public infrastructure end-use business.

In the past, public infrastructure sector funding was underpinned by a series of six-year federal highway authorization bills. Federal funds are allocated to the states, which are required to match a portion of the federal funds they receive. Federal highway spending uses funds predominantly from the Federal Highway Trust Fund, which derives its revenue from taxes on diesel fuel, gasoline and other user fees. The dependability of federal funding allows the state departments of transportation to plan for their long term highway construction and maintenance needs. The Fixing America s Surface Transportation Act (FAST Act) was signed into law on December 4, 2015 and authorizes $305 billion of funding between 2016 and 2020. It extends five years and provides funding for surface transportation infrastructure, including roads, bridges, transit systems, and the rail transportation network.

Our Competitive Strengths

***Leading market positions*.** We believe each of our operating companies has a top three market share position in its local market area achieved through their respective, extensive operating histories, averaging over 35 years. We believe we are a top 10 supplier of aggregates, a top 15 producer of cement and a major producer of

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ready-mixed concrete and asphalt paving mix in the United States by volume. We focus on acquiring companies that have leading local market positions in aggregates, which we seek to enhance by building scale with other local aggregates and downstream products and services. The construction materials industry is highly local in nature due to transportation costs from the high weight-to-value ratio of the products. Given this dynamic, we believe achieving local market scale provides a competitive advantage that drives growth and profitability for our business. We believe that our ability to prudently acquire, improve and rapidly integrate multiple businesses has enabled, and will continue to enable, us to become market leaders.

Operations positioned to benefit from attractive industry fundamentals. We believe the construction materials industry has attractive fundamentals, characterized by high barriers to entry and a stable competitive environment in the majority of markets. Barriers to entry are created by scarcity of raw material resources, limited efficient distribution range, asset intensity of equipment, land required for quarry operations and a time-consuming and complex regulatory and permitting process. According to the April 2014 U.S. Geological Survey, aggregates pricing in the United States had increased in 65 of the previous 70 years, with growth accelerating since 2002 as continuing resource scarcity in the industry has led companies to focus increasingly on improved pricing strategies.

One significant factor that allows for pricing growth in periods of volume declines is that aggregates and asphalt paving mix have significant exposure to public road construction, which has demonstrated growth over the past 30 years, even during times of broader economic weakness. The majority of public road construction spending is funded at the state level through the states respective departments of transportation. The five key states in which we operate (Texas, Kansas, Utah, Missouri and Kentucky) have funds with certain constitutional protections for revenue sources dedicated for transportation projects. These dedicated, earmarked funding sources limit the negative effect current state deficits may have on public spending. As a result, we believe our business profitability is significantly more stable than most other building product subsectors.

Vertically-integrated business model. We generate revenue across a spectrum of related products and services. We internally supply approximately 26% of the aggregates used in the ready-mixed concrete and asphalt paving mixes that we produce and the asphalt paving mix that our paving crews lay. Our vertically-integrated business model enables us to operate as a single source provider of materials and paving and related services, creating cost, convenience and reliability advantages for our customers, while at the same time creating significant cross-marketing opportunities among our interrelated businesses. We believe this creates opportunities to increase aggregates volumes, optimize margin at each stage of production, foster more stable demand for aggregates through a captive demand outlet, create a competitive advantage through the efficiency gains, convenience and reliability provided to customers and enhance our acquisition strategy by allowing a greater range of target companies.

Attractive diversity, scale and product portfolio. We operate across 21 U.S. states and British Columbia, Canada in 33 metropolitan statistical areas. Between the year ended December 31, 2011 and the year ended January 2, 2016, we grew our revenue by 82% and brought substantial additional scale and geographic diversity to our operations. A combination of increased scale and vertical integration enabled us to improve profitability with Adjusted EBITDA margins increasing 651 basis points from the year ended December 28, 2013, to the year ended January 2, 2016. In the year ended January 2, 2016, 29% of gross margin was derived from aggregates, 19% from the Cement segment, 37% from products and the remaining 15% from services. We have approximately 2.1 billion tons of proven and probable aggregates reserves serving our aggregates and cement business. We estimate that the useful life of our proven and probable reserves serving our aggregates and cement businesses are approximately 70 years and 170 years, respectively, based on the average production rates in 2015 and 2014.

Our dry process cement plant in Hannibal, Missouri was commissioned in 2008 and our Davenport, Iowa plant was commissioned in 1981. These large capacity cement plants have technologically advanced manufacturing capabilities.

According to PCA forecasts, consumption of cement in the United States is expected

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to exceed production capacity by the year 2017, creating opportunities for existing cement plants. Our plants are strategically located on the Mississippi River and, consequently, in 2015, approximately 58% and 26% of cement sold from the Hannibal and Davenport plants, respectively, was shipped by barge, which is generally more cost-effective than truck transport.

Proven ability to incorporate new acquisitions and grow businesses. Since July 2009, we have acquired 38 companies, successfully integrating the businesses into three segments through the implementation of operational improvements, industry-proven information technology systems, a comprehensive safety program and best in class management programs. A typical acquisition generally involves retaining the local management team of the acquired business, maintaining operational decisions at the local level and providing strategic insights and leadership directed by Tom Hill, our President and Chief Executive Officer, a 30-year industry veteran. These acquisitions have helped us achieve significant revenue growth, from $0.4 billion in 2010 to $1.4 billion in 2015.

Experienced and proven leadership driving organic growth and acquisition strategy. Our management team, led by Mr. Hill, has a proven track record of creating value. In addition to Mr. Hill, our management team, including corporate and segment operations managers, corporate development, finance executives and other heavy side industry operators, has extensive experience in the industry. Our management team has a track record of executing and successfully integrating acquisitions in the sector. Mr. Hill and his team successfully executed a similar consolidation strategy at another company in the industry, where Mr. Hill led the integration of 173 acquisitions worth, in the aggregate, approximately $6.3 billion, taking the business from less than $0.3 billion to $7.4 billion in sales from 1992 to 2008.

Our Business Strategy

Capitalize on expected recovery in U.S. economy and construction markets. The residential and nonresidential markets are starting to show positive growth signs in varying degrees across our markets. The PCA forecasts total housing starts to accelerate to 1.53 million in the United States by 2019. The American Institute of Architects Consensus Construction Forecast projects nonresidential construction to grow 8.2% in 2016. We believe that we have sufficient exposure to the residential and nonresidential end markets to benefit from a potential recovery in all of our markets. In 2015, approximately 78% of our revenue was derived from Texas, Kansas, Utah, Missouri and Kentucky. Across these states, Department of Transportation (DOT) budgets grew a combined 9.8% from 2014 to 2015. Given the nation s aging infrastructure and considering longstanding historical spending trends, we expect U.S. infrastructure investment to grow over time. We believe we are well positioned to capitalize on any such increase in investment.

Expand local positions in the most attractive markets through targeted capital investments and bolt-on acquisitions. We plan to expand our business through organic growth and bolt-on acquisitions in each of our local markets. Our acquisition strategy involves acquiring platforms that serve as the foundation for continued incremental and complementary growth via locally situated bolt-on acquisitions to these platforms. We believe that increased local market scale will drive profitable growth. Our existing platform of operations is expected to enable us to grow significantly as we expand in our existing markets. In pursuing our growth strategy, we believe that our balance sheet and liquidity position will enable us to acquire most of the bolt-on acquisitions and platforms that we seek to purchase, but we may also pursue larger acquisition transactions that may require us to raise additional equity capital and indebtedness. Consistent with this strategy, we regularly evaluate potential acquisition opportunities, including ones that would be significant to us. We cannot predict the timing of any contemplated transactions.

Drive profitable growth through strategic acquisitions. Our goal is to become a top-five U.S. construction materials company through the successful execution of our acquisition strategy and implementation of best practices to drive organic growth. Based on aggregates sales, in volumes, we believe that we are currently a top-ten player, which we

achieved within five years of our first acquisition. We believe that the relative fragmentation of our

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industry creates an environment in which we can continue to acquire companies at attractive valuations and increase scale and diversity over time through strategic acquisitions in markets adjacent to our existing markets within the states where we currently operate, as well as into additional states as market and competitive conditions support further growth.

Enhance margins and free cash flow generation through implementation of operational improvements. Our management team includes individuals with decades of experience in our industry and proven success in integrating acquired businesses and organically growing operations. This experience represents a significant source of value to us that has driven Adjusted EBITDA margins up 651 basis points from the year ended December 28, 2013 to the year ended January 2, 2016. These margin improvements are accomplished through proven profit optimization plans, leveraging information technology and financial systems to control costs, managing working capital, achieving scale-driven purchasing synergies and fixed overhead control and reduction. Our segment presidents, supported by our central operations, risk management and finance and information technology teams, drive the implementation of detailed and thorough profit optimization plans for each acquisition post close, which typically includes, among other things, implementation of a systematic pricing strategy and an equipment utilization analysis that assesses repair and maintenance spending, the health of each piece of equipment and a utilization review to ensure we are maximizing productivity and selling any pieces of equipment that are not needed in the business.

Leverage vertically-integrated and strategically located operations for growth. We believe that our vertical integration of construction materials, products and services is a significant competitive advantage that we will leverage to grow share in our existing markets and enter into new markets. A significant portion of materials used to produce our products and provide services to our customers is internally supplied, which enables us to operate as a single source provider of materials, products and paving and related services, creating cost, convenience and reliability advantages for our customers and enabling us to capture additional value throughout the supply chain, while at the same time creating significant cross-marketing opportunities among our interrelated businesses.

Our Industry

The U.S. construction materials industry is composed of four primary sectors: aggregates; cement; ready-mixed concrete; and asphalt paving mix. Each of these materials is widely used in most forms of construction activity. Participants in these sectors typically range from small, privately-held companies focused on a single material, product or market to multinational corporations that offer a wide array of construction materials and services. Competition is constrained in part by the distance materials can be transported efficiently, resulting in predominantly local or regional operations. Due to the lack of product differentiation, competition for all of our products is predominantly based on price and, to a lesser extent, quality of products and service. As a result, the prices we charge our customers are not likely to be materially different from the prices charged by other producers in the same markets. Accordingly, our profitability is generally dependent on the level of demand for our products and our ability to control operating costs.

Transportation infrastructure projects, driven by both federal and state funding programs, represent a significant share of the U.S. construction materials market. Federal funds are allocated to the states, which are required to match a portion of the federal funds they receive. Federal highway spending uses funds predominantly from the Federal Highway Trust Fund, which derives its revenue from taxes on diesel fuel, gasoline and other user fees. The dependability of federal funding allows the state departments of transportation to plan for their long term highway construction and maintenance needs. Funding for the existing federal transportation funding program extends through 2020. With the nation s infrastructure aging, we expect U.S. infrastructure spending to grow over the long term, and we believe we are well positioned to capitalize on any such increase.

In addition to federal funding, highway construction and maintenance funding is also available through state, county and local agencies. Our five largest states by revenue (Texas, Kansas, Utah, Missouri and Kentucky,

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which represented approximately 33%, 16%, 11%, 10% and 8%, respectively, of our total revenue in 2015) each have funds whose revenue sources are constitutionally protected and may only be spent on transportation projects:

Texas Department of Transportation s budget from 2014 to 2016 is $25.3 billion.

Kansas has a 10 year $8.2 billion highway bill that was passed in May 2010.

Utah s transportation investment fund had $3.0 billion committed through 2018.

Missouri has an estimated $0.7 billion in annual construction funding committed to essential road and bridge programs through 2017.

Kentucky s biennial highway construction plan has funding of $3.6 billion from July 2014 to June 2016.

Within many of our markets, state and local governments have taken actions to maintain or grow highway funding during a time of uncertainty with respect to federal funding. For example:

On November 4, 2014, voters in Texas passed a proposition that is estimated to provide up to $1.7 billion of incremental funding annually to the Texas Department of Transportation. The funds must be used for construction, maintenance, rehabilitation and acquiring right-of-way for public roads. On November 3, 2015, voters in Texas passed an additional proposition that dedicates up to $2.5 billion of the state s sales and use tax revenue to the state s highway fund beginning in 2018, and 35% of any excess revenue over $5 billion generated from the motor vehicles sales tax beginning in 2020

Increases in heavy truck registration fees, dedicated sales tax revenue and bond issuances have enabled Kansas to maintain stability in public infrastructure spending.

We believe that public infrastructure spending in Kentucky, which comprises the majority of our revenue in the state, will remain consistent in the upcoming years.

We expect primarily maintenance-related public demand in Utah and Missouri, both of which have recently completed large spending programs.

Demand for our products is observed to have low elasticity in relation to prices. We believe this is partially explained by the absence of competitive replacement products and relatively low contribution of our products to total construction costs. We do not believe that increases in our products prices are likely to affect the decision to undertake a construction project since these costs usually represent a small portion of total construction costs.

Aggregates

Aggregates are key material components used in the production of cement, ready-mixed concrete and asphalt paving mixes for the residential, nonresidential and public infrastructure markets and are also widely used for various applications and products, such as road and building foundations, railroad ballast, erosion control, filtration, roofing granules and in solutions for snow and ice control. Generally extracted from the earth using surface or underground mining methods, aggregates are produced from natural deposits of various materials such as limestone, sand and gravel, granite and trap rock. Once extracted, processed and graded, aggregates are supplied directly to their end use or incorporated for further processing into construction materials and products, such as cement, ready-mixed concrete and asphalt paving mix.

According to the August 2015 U.S. Geological Survey, approximately 1.4 billion tons of crushed stone with a value of approximately $12.9 billion was produced in the United States in 2014, in line with the 1.3 billion tons produced in 2013. Sand and gravel production was approximately 988.8 million tons in 2014 valued at approximately $7.3 billion, up from 934 million tons produced in 2013. The U.S. aggregate industry is highly

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fragmented relative to other building product markets, with numerous participants operating in localized markets and the top ten players controlling approximately 30% of the national market in 2013. In January 2015, the U.S. Geological Survey reported that a total of 1,550 companies operating 4,000 quarries and 91 underground mines produced or sold crushed stone in 2014 in the United States.

Transportation costs are a major variable in determining aggregate pricing and marketing radius. The cost of transporting aggregate products from the plant to the market often equates to or exceeds the sale price of the product at the plant. As a result of the high transportation costs and the large quantities of bulk material that have to be shipped, finished products are typically marketed locally. High transportation costs are responsible for the wide dispersion of production sites. Where possible, construction material producers maintain operations adjacent to highly populated areas to reduce transportation costs and enhance margins. However, more recently, rising land values combined with local environmental concerns have been forcing production sites to move further away from the end-use locations.

We believe that the long-term growth of the market for aggregates is predominantly driven by growth in population, employment and households, which in turn affects demand for nonresidential construction, including stores, shopping centers and restaurants and increases transportation infrastructure spending. In recent years, the recession and subsequent slow recovery in the United States has led to a decrease in overall private and public infrastructure construction activity. While short-term demand for aggregates fluctuates with economic cycles, the declines have historically been followed by strong recovery, with each peak establishing a new historical high.

A significant portion of annual demand for aggregates is derived from large public infrastructure and highway construction projects. According to the Montana Contractors Association, approximately 38,000 tons of aggregate are required to construct a one mile stretch of a typical four-lane interstate highway. Highways located in markets with significant seasonal temperature variances are particularly vulnerable to freeze-thaw conditions that exert excessive stress on pavement and lead to more rapid surface degradation. Surface maintenance repairs, as well as general highway construction, occur in the warmer months, resulting in a majority of aggregates production and sales in the period from April through November in most states.

Cement

Portland cement, an industry term for the common cement in general use around the world, is made from a combination of limestone, shale, clay, silica and iron ore. It is a fundamental building material consumed in several stages throughout the construction cycle of residential, nonresidential and public infrastructure projects. It is a binding agent that, when mixed with sand or aggregates and water, produces either ready-mixed concrete or mortar and is an important component of other essential construction materials. Cement is sold either in bulk or in bags as branded products, depending on its final user. Few construction projects can take place without utilizing cement somewhere in the design, making it a key ingredient used in the construction industry. The majority of all cement shipments are sent to ready-mixed concrete operators. The remaining shipments are directed to manufacturers of concrete related products such as block and precast. Nearly two-thirds of U.S. consumption occurs between May and November, coinciding with end-market construction activity.

The principal raw materials in cement are a blend of approximately 80% limestone and approximately 5% shale, with the remaining raw materials being clay and iron ore. Generally, the limestone and shale are mined from quarries located on site with the production plant. These core ingredients are blended and crushed into a fine grind and then preheated and ultimately introduced into a kiln heated to about 3,000°F. Under this extreme heat, a chemical transformation occurs uniting the elements to form a new substance with new physical and chemical characteristics. This new substance is called clinker and it is formed into pieces about the size of marbles. The clinker is then cooled and later ground into a fine powder that then is classified as Portland cement.

Cement production in the United States is distributed among 107 production facilities located across 36 states and is a capital-intensive business with variable costs dominated by raw materials and energy required

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to fuel the kiln. Building new plants is challenging given the extensive permitting requirements and capital investment requirements. We estimate new plant construction costs in the United States to be approximately $250-300 per ton, not including costs for property or securing raw materials and the required distribution network. Assuming construction costs of $275 per ton, a 1.25 million ton facility, comparable to our Hannibal, Missouri cement plant s potential annual capacity, would cost approximately $343.8 million to construct. Establishing a distribution network, such as the seven terminals included in the Davenport Assets, adds significant cost to a cement plant investment.

As reported by the PCA in the 2015 United States Cement Industry Annual Yearbook, consumption is down significantly from the industry peak of approximately 140.9 million tons in 2005 to approximately 97.8 million tons in 2014 because of a decline in U.S. construction activity. U.S. cement consumption has at times outpaced domestic production capacity with the shortfall being supplied with imports, primarily from China, Canada, Greece, Mexico and South Korea. The PCA reports that cement imports have declined since their peak of approximately 39.6 million tons in 2006 to approximately 9.3 million tons in 2014, in a manner indicative of the industry s general response to the demand downturn. In addition to the reduction in imports, according to the PCA, U.S. excess capacity increased from 5% in 2006 to approximately 25% in 2014. However, the PCA estimates that demand will exceed supply by 2017.

On December 20, 2012, the EPA signed the PC-MACT, with which compliance was required in September 2015, notwithstanding certain extensions granted to individual cement plants to September 2016. The Hannibal and Davenport cement plants utilize alternative fuels, hazardous and non-hazardous at Hannibal and non-hazardous at Davenport, as well as coal, natural gas and petroleum coke and, as a result, are subject to the Hazardous Waste Combustor NESHAP (HWC-MACT) and Commercial/Industrial Solid Waste Incinerators (CISWI) standards, respectively, rather than PC-MACT standards. The costs to comply with the existing HWC-MACT and CISWI standards are not expected to be material.

Ready-Mixed Concrete

Ready-mixed concrete is one of the most versatile and widely used materials in construction today. Its flexible recipe characteristics allow for an end product that can assume almost any color, shape, texture and strength to meet the many requirements of end users that range from bridges, foundations, skyscrapers, pavements, dams, houses, parking garages, water treatment facilities, airports, tunnels, power plants, hospitals and schools. The versatility of ready-mixed concrete gives engineers significant flexibility when designing these projects.

Cement, coarse aggregate, fine aggregate, water and admixtures are the primary ingredients in ready-mixed concrete. The cement and water are combined and a chemical reaction process called hydration occurs whereby a paste is produced. This paste or binder represents between 15 to 20% of the volume of the mix that coats each particle of aggregate and serves as the agent that binds the aggregates together, according to the National Ready Mixed Concrete Association (NRMCA). The aggregates represent approximately 60 to 75% of the mix by volume, with a small portion of volume (5 to 8%) consisting of entrapped air that is generated by using air entraining admixtures. Once fully hydrated, the workable concrete will then harden and take on the shape of the form in which it was placed.

The quality of a concrete mix is generally determined by the weight ratio of water to cement. Higher quality concrete is produced by lowering the water-cement ratio as much as possible without sacrificing the workability of the fresh concrete. Specialty admixtures such as high range water reducers can aid in achieving this condition without sacrificing quality.

Other materials commonly used in the production of ready-mixed concrete include fly-ash, a waste by-product from coal burning power plants, silica fume, a waste by-product generated from the manufacture of silicon and ferro-silicon metals, and ground granulated blast furnace slag, a by-product of the iron and steel

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manufacturing process. All of these products have cementitious properties that enhance the strength, durability and permeability of the concrete. These materials are available directly from the producer or via specialist distributors who intermediate between the ready-mixed concrete producers and the users.

Given the high weight-to-value ratio, delivery of ready-mixed concrete is typically limited to a one-hour haul from a production plant and is further limited by a 90 minute window in which newly-mixed concrete must be poured to maintain q