Vulcan Materials Company

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FOR IMMEDIATE RELEASE
Investor Contact: Mark Warren (205) 298-3220
Media Contact: Janet Kavinoky (205) 298-3220

VULCAN REPORTS THIRD QUARTER 2022 RESULTS

Pricing Momentum and Solid Operational Execution Drove Strong Results
Demand Environment Remains Supportive of Earnings Growth

Birmingham, Alabama – November 2, 2022 – Vulcan Materials Company (NYSE: VMC), the nation's largest producer of construction aggregates, today announced results for the quarter ended September 30, 2022.

Third Quarter Financial and Operating Highlights (compared with prior year):

- Total revenues increased 38 percent, driven by double-digit growth in the Company's legacy operations as well as the addition of acquired operations
- Average selling prices increased sharply in each product line
  - Aggregates pricing increased 12 percent on a reported and mix-adjusted basis
  - Average price for asphalt and concrete increased 26 percent and 13 percent, respectively
- Shipments increased year-over-year in each product line, driven by acquisitions and healthy underlying demand in our markets
  - Aggregates volumes increased 9 percent or 3 percent on a same-store basis
- Gross profit increased $99 million, or 25 percent, to $493 million
  - Aggregates gross profit increased $64 million, or 17 percent
  - Non-aggregates gross profit increased $35 million, including a $22 million year-over-year improvement in the Asphalt segment
  - Includes $67 million of higher energy-related costs compared to the prior year's quarter
- Earnings attributable to Vulcan from continuing operations were $178 million, or $1.33 per diluted share.
  - Included in these results was a net after-tax loss of $59 million of non-routine items, comprised principally of charges related to assets classified as held for sale during the quarter ($63 million or $0.48 per diluted share) and a gain on the sale of excess real estate ($18 million or $0.13 per diluted share)
  - Excluding the non-routine items, earnings attributable to Vulcan from continuing operations were $1.78 per diluted share
- Adjusted EBITDA increased 21 percent to $507 million

Tom Hill, Vulcan Materials' Chairman and Chief Executive Officer, stated, "Consistent with our expectations for the second half of the year, strong pricing momentum and solid operational execution led to earnings growth in each of our operating segments. Aggregates cash gross profit per ton improved by 9 percent, a considerable acceleration from the first half of the year. This momentum, along with the ongoing favorable pricing environment and current visibility into private nonresidential and infrastructure demand, reinforces our confidence in our ability to deliver strong earnings growth in 2022."

Highlights as of September 30, 2022 include:

	Third Quarter		Year to Date		Trailing-Twelve Months	
Amounts in millions, except per unit data	2022	2021	2022	2021	2022	2021
Total revenues	$ 2,088.3	$ 1,516.5	$ 5,583.3	$ 3,945.9	$ 7,189.6	$ 5,121.0
Gross profit	$ 492.9	$ 394.1	$ 1,207.8	$ 1,021.7	$ 1,559.5	$ 1,324.4
Aggregates segment						
Segment sales	$ 1,490.5	$ 1,172.4	$ 4,013.5	$ 3,192.7	$ 5,165.8	$ 4,149.2
Freight-adjusted revenues	$ 1,097.2	$ 898.0	$ 2,956.5	$ 2,453.1	$ 3,817.4	$ 3,190.4
Gross profit	$ 436.1	$ 372.4	$ 1,081.3	$ 969.8	$ 1,407.2	$ 1,245.8
Shipments (tons)	65.4	60.2	182.2	165.1	239.9	216.3
Freight-adjusted sales price per ton	$ 16.79	$ 14.93	$ 16.23	$ 14.86	$ 15.91	$ 14.75
Gross profit per ton	$ 6.67	$ 6.19	$ 5.94	$ 5.87	$ 5.87	$ 5.76
Asphalt, Concrete & Calcium segment gross profit	$ 56.8	$ 21.7	$ 126.5	$ 51.9	$ 152.3	$ 78.6
Selling, Administrative and General (SAG)	$ 135.3	$ 103.8	$ 388.7	$ 293.1	$ 513.2	$ 391.7
SAG as % of Total revenues	6.5%	6.8%	7.0%	7.4%	7.1%	7.6%
Earnings from continuing operations before income taxes	$ 260.6	$ 228.7	$ 637.4	$ 705.1	$ 806.1	$ 846.3
Net earnings attributable to Vulcan	$ 177.1	$ 176.9	$ 456.2	$ 532.9	$ 594.2	$ 647.4
Adjusted EBITDA	$ 507.0	$ 417.7	$ 1,251.0	$ 1,068.0	$ 1,634.3	$ 1,379.2
Earnings attributable to Vulcan from continuing operations per diluted share	$ 1.33	$ 1.33	$ 3.54	$ 4.01	$ 4.58	$ 4.88
Adjusted earnings attributable to Vulcan from continuing operations per diluted share	$ 1.78	$ 1.54	$ 4.03	$ 3.80	$ 5.28	$ 4.86

Segment Results

Aggregates

Segment gross profit was $436 million, an increase of 17 percent from the prior year. Cash gross profit per ton increased 9 percent to $8.41 per ton. Double-digit price growth and solid operational execution helped offset cost headwinds, including significantly higher diesel fuel costs ($27 million) and continued inflationary pressures for many other parts and supplies.

Price growth in the third quarter was consistently strong across the Company's markets. Freight-adjusted pricing was $16.79 per ton, an increase of $1.86 per ton, or 12 percent, over the prior year. Adjusting for mix impacts, average selling price also increased 12 percent.

Total aggregates shipments increased 9 percent, reflecting shipment contribution from acquisitions and healthy construction activity levels. On a same-store basis, shipments increased 3 percent. Shipment growth was geographically widespread and particularly strong in many southeastern markets and California.

Freight-adjusted unit cash cost of sales increased 17 percent, or $1.19 per ton, as compared to the prior year's third quarter. Excluding the impact of higher diesel fuel costs, freight-adjusted cash cost of sales increased 11 percent, or $0.77 per ton.

Asphalt, Concrete and Calcium

Asphalt segment gross profit was $30 million, an increase of $22 million over the prior year's third quarter. The year-over-year increase was driven by widespread volume improvement and continued pricing momentum. Asphalt volumes increased 13 percent, driven by growth in Arizona and California, the Company's two largest asphalt markets. Asphalt pricing increased 26 percent, or $15.37 per ton, more than offsetting a 42 percent ($33 million) increase in the average price paid for liquid asphalt as well as a $3 million year-over-year increase in the cost of natural gas.

Third quarter Concrete segment gross profit was $26 million, an increase of $12 million over the prior year. Concrete results benefited from the contribution of acquired operations as well as strong volume and price growth in the Company's legacy operations. Unit material margins improved as higher selling prices helped offset higher raw materials costs, including aggregates supplied by the Company.

Calcium segment gross profit was $0.8 million compared to $0.3 million in the prior year quarter.

Selling, Administrative and General (SAG) and Other Items

SAG expense was $135 million in the quarter, or 6.5 percent of total revenues. Higher expenses versus the prior year were driven by elevated legal and professional fees, related mostly to Mexico and business development activities, and increased incentives driven by favorable current-year performance. Trailing-twelve-months SAG expense was 7.1 percent of total revenues, 50 basis points less than the prior year. The Company remains focused on further leveraging its overhead cost structure.

This year's third quarter included the sale of real estate in California. This transaction resulted in a pretax gain of $24 million ($18 million after-tax). The Company continues to maximize the value of its portfolio of quarry operations as they move through the life cycle of land management.

We are currently finalizing an agreement for the disposition of our concrete assets in New York, New Jersey and Pennsylvania and expect to close the transaction in the fourth quarter, subject to obtaining regulatory approvals and the satisfaction of other customary closing conditions. As a result, these assets were classified as held for sale during the quarter and were written down to their fair value, resulting in a pretax loss of $68 million ($63 million after-tax), including the write-off of the associated goodwill.

Financial Position, Liquidity and Capital Allocation

Capital expenditures in the third quarter were $138 million, including both maintenance and growth projects. Through the first nine months of 2022, capital expenditures were $378 million. For the full year, the Company expects to spend $600 to $650 million. Full-year capital expenditures include spending for U.S. Concrete operations acquired in August 2021 as well as spending for projects put on hold in 2020 due to the pandemic. The Company will continue to review its plans and will adjust as needed, while being thoughtful about preserving liquidity.

During the quarter, we acquired strategic aggregates and downstream assets to complement our position in Northern California. Additionally, we acquired a quarry in Honduras from which we have been distributing materials to certain Gulf Coast markets since 2019.

On September 30, 2022, the ratio of total debt to trailing-twelve-months Adjusted EBITDA was 2.6 times (2.5 times on a net debt basis). The Company remains committed to its stated long-term target leverage range of 2.0 to 2.5 times total debt to trailing-twelve-months Adjusted EBITDA.

On a trailing-twelve-months basis, return on invested capital was 13.6 percent. The Company is focused on driving further improvement through solid operating earnings growth coupled with disciplined capital management.

Outlook

Regarding the Company's current outlook for 2022, Mr. Hill said, "We have continued to execute well and now expect full-year Adjusted EBITDA of $1.640 to $1.680 billion. Through the first nine months, aggregates shipments have exceeded the upper end of our expectations, driven by acquisitions and healthy underlying demand in our markets."

Mr. Hill continued, "As we look ahead to 2023, leading indicators suggest that growing public construction activity, particularly highways, and the recovery in private nonresidential contract awards should help to offset contracting single-family residential demand. The pricing environment remains positive, and we carry strong momentum into 2023."

Mr. Hill concluded, "Our industry-leading aggregates focus positions us well for continued growth and value creation. We have a durable business model with strong fundamentals and less execution risk through economic cycles. This durability is evidenced by the consistent growth in our aggregates unit profitability, despite ongoing volatility in the macro environment. We are positioned in geographic markets that will continue to outperform other parts of the country from a demand perspective, both in the near term and longer term, and we expect both the favorable pricing dynamics and our strong execution to lead to continued earnings growth."

Conference Call

Vulcan will host a conference call at 9:00 a.m. CDT on November 2, 2022. A webcast will be available via the Company's website at www.vulcanmaterials.com. Investors and other interested parties may access the teleconference live by calling 800-343-4136, or 203-518-9843 if outside the U.S. The conference ID is 5944810. The conference call will be recorded and available for replay at the Company's website approximately two hours after the call.

About Vulcan Materials Company

Vulcan Materials Company, a member of the S&P 500 Index with headquarters in Birmingham, Alabama, is the nation's largest supplier of construction aggregates – primarily crushed stone, sand and gravel – and a major producer of aggregates-based construction materials, including asphalt and ready-mixed concrete. For additional information about Vulcan, go to www.vulcanmaterials.com.

Non-GAAP Financial Measures

Because GAAP financial measures on a forward-looking basis are not accessible, and reconciling information is not available without unreasonable effort, we have not provided reconciliations for forward-looking non-GAAP measures, other than the reconciliation of Projected EBITDA as included in Appendix 3 hereto. For the same reasons, we are unable to address the probable significance of the unavailable information, which could be material to future results.

FORWARD-LOOKING STATEMENT DISCLAIMER

This document contains forward-looking statements. Statements that are not historical fact, including statements about Vulcan's beliefs and expectations, are forward-looking statements. Generally, these statements relate to future financial performance, results of operations, business plans or strategies, projected or anticipated revenues, expenses, earnings (including EBITDA and other measures), dividend policy, shipment volumes, pricing, levels of capital expenditures, intended cost reductions and cost savings, anticipated profit improvements and/or planned divestitures and asset sales. These forward-looking statements are sometimes identified by the use of terms and phrases such as “believe,” “should,” “would,” “expect,” “project,” “estimate,” “anticipate,” “intend,” “plan,” “will,” “can,” “may” or similar expressions elsewhere in this document. These statements are subject to numerous risks, uncertainties, and assumptions, including but not limited to general business conditions, competitive factors, pricing, energy costs, and other risks and uncertainties discussed in the reports Vulcan periodically files with the SEC.

Forward-looking statements are not guarantees of future performance and actual results, developments, and business decisions may vary significantly from those expressed in or implied by the forward-looking statements. The following risks related to Vulcan's business, among others, could cause actual results to differ materially from those described in the forward-looking statements: general economic and business conditions; a pandemic, epidemic or other public health emergency, such as the COVID-19 outbreak; Vulcan’s dependence on the construction industry, which is subject to economic cycles; the timing and amount of federal, state and local funding for infrastructure; changes in the level of spending for private residential and private nonresidential construction; changes in Vulcan’s effective tax rate; the increasing reliance on information technology infrastructure, including the risks that the infrastructure does not work as intended, experiences technical difficulties or is subjected to cyber-attacks; the impact of the state of the global economy on Vulcan’s businesses and financial condition and access to capital markets; international business operations and relationships, including recent actions taken by the Mexican government with respect to Vulcan’s property and operations in that country; the highly competitive nature of the construction industry; the impact of future regulatory or legislative actions, including those relating to climate change, biodiversity, land use, wetlands, greenhouse gas emissions, the definition of minerals, tax policy and domestic and international trade; the outcome of pending legal proceedings; pricing of Vulcan's products; weather and other natural phenomena, including the impact of climate change and availability of water; availability and cost of trucks, railcars, barges and ships as well as their licensed operators for transport of Vulcan’s materials; energy costs; costs of hydrocarbon-based raw materials; healthcare costs; labor relations, shortages and constraints; the amount of long-term debt and interest expense incurred by Vulcan; changes in interest rates; volatility in pension plan asset values and liabilities, which may require cash contributions to the pension plans; the impact of environmental cleanup costs and other liabilities relating to existing and/or divested businesses; Vulcan's ability to secure and permit aggregates reserves in strategically located areas; Vulcan’s ability to manage and successfully integrate acquisitions; the effect of changes in tax laws, guidance and interpretations; significant downturn in the construction industry may result in the impairment of goodwill or long-lived assets; changes in technologies, which could disrupt the way Vulcan does business and how Vulcan’s products are distributed; and other assumptions, risks and uncertainties detailed from time to time in the reports filed by Vulcan with the SEC. All forward-looking statements in this communication are qualified in their entirety by this cautionary statement. Vulcan disclaims and does not undertake any obligation to update or revise any forward-looking statement in this document except as required by law.

Source: Vulcan Materials Company