

EAGLE MATERIALS INC
Form 10-Q
January 29, 2019

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the Quarterly Period Ended

December 31, 2018

Commission File Number 1-12984

EAGLE MATERIALS INC.

(Exact name of registrant as specified in its charter)

Delaware (State of Incorporation)

75-2520779 (I.R.S. Employer Identification No.)

5960 Berkshire Lane, Suite 900, Dallas, Texas 75225 (Address of principal executive offices)

(214) 432-2000 (Registrant's telephone number, including area code)

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. YES NO

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Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). YES NO

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

Large accelerated filer Accelerated filer
Non-accelerated filer Smaller reporting company
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

Yes No

As of January 25, 2019, the number of outstanding shares of common stock was:

Class	Outstanding Shares
Common Stock, \$.01 Par Value	45,898,591

TABLE OF CONTENTS

PART I. FINANCIAL INFORMATION (unaudited)

	Page
Item 1. Consolidated Financial Statements	
<u>Consolidated Statements of Earnings for the Three and Nine Months Ended December 31, 2018 and 2017</u>	1
<u>Consolidated Statements of Comprehensive Earnings for the Three and Nine Months Ended December 31, 2018 and 2017</u>	2
<u>Consolidated Balance Sheets as of December 31, 2018, and March 31, 2018</u>	3
<u>Consolidated Statements of Cash Flows for the Nine Months Ended December 31, 2018 and 2017</u>	4
<u>Consolidated Statements of Stockholders' Equity as of December 31, 2018 and March 31, 2018</u>	5
<u>Notes to Unaudited Consolidated Financial Statements</u>	6
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	27
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	41
Item 4. <u>Controls and Procedures</u>	41
 <u>PART II. OTHER INFORMATION</u>	
Item 1. <u>Legal Proceedings</u>	42
Item	
1a. <u>Risk Factors</u>	43
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	53
Item 4. <u>Mine Safety Disclosures</u>	53
Item 6. <u>Exhibits</u>	54
<u>SIGNATURES</u>	55

EAGLE MATERIALS INC. AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF EARNINGS (unaudited)

	For the Three Months Ended December 31,		For the Nine Months Ended December 31,	
	2018	2017	2018	2017
	(dollars in thousands, except share and per share data)			
Revenue	\$333,285	\$359,371	\$1,108,540	\$1,101,807
Cost of Goods Sold	252,864	264,805	838,554	824,428
Gross Profit	80,421	94,566	269,986	277,379
Equity in Earnings of Unconsolidated Joint Venture	9,507	11,372	28,931	33,203
Corporate General and Administrative Expense	(9,408)	(9,883)	(27,333)	(29,383)
Litigation Settlements and Losses	—	(39,098)	(1,800)	(39,098)
Other Non-Operating Income	1,292	1,084	2,291	2,728
Interest Expense, Net	(7,294)	(6,653)	(20,743)	(21,592)
Earnings before Income Taxes	74,518	51,388	251,332	223,237
Income Taxes	(16,803)	49,992	(54,675)	(3,613)
Net Earnings	57,715	101,380	196,657	219,624
EARNINGS PER SHARE				
Basic	\$1.25	\$2.10	\$4.18	\$4.56
Diluted	\$1.24	\$2.08	\$4.15	\$4.52
AVERAGE SHARES OUTSTANDING				
Basic	46,275,198	48,221,093	47,059,408	48,132,276
Diluted	46,495,994	48,757,762	47,403,271	48,641,430
CASH DIVIDENDS PER SHARE	\$0.10	\$0.10	\$0.30	\$0.30

See notes to unaudited consolidated financial statements.

EAGLE MATERIALS INC AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF COMPREHENSIVE EARNINGS (unaudited)

	For the Three Months Ended December 31,		For the Nine Months Ended December 31,	
	2018	2017	2018	2017
	(dollars in thousands)			
Net Earnings	\$57,715	\$101,380	\$196,657	\$219,624
Net Actuarial Change in Defined Benefit Plans:				
Amortization of net actuarial loss	73	314	219	942
Tax expense	(17)	(117)	(51)	(351)
Comprehensive Earnings	\$57,771	\$101,577	\$196,825	\$220,215

See notes to unaudited consolidated financial statements.

EAGLE MATERIALS INC. AND SUBSIDIARIES CONSOLIDATED BALANCE SHEETS (unaudited)

	December 31,	March 31,
	2018	2018
	(dollars in thousands)	
ASSETS		
Current Assets -		
Cash and Cash Equivalents	\$17,060	\$9,315
Restricted Cash	—	38,753
Accounts and Notes Receivable, net	133,873	141,685
Inventories	251,260	258,159
Income Tax Receivable	314	5,750
Prepaid and Other Assets	6,966	5,073
Total Current Assets	409,473	458,735
Property, Plant, and Equipment -	2,659,148	2,586,528
Less: Accumulated Depreciation	(1,031,996)	(991,229)
Property, Plant, and Equipment, net	1,627,152	1,595,299
Notes Receivable	3,022	115
Investment in Joint Venture	61,988	60,558
Goodwill and Intangible Assets, net	236,936	239,342
Other Assets	16,845	13,954
Total Assets	\$2,355,416	\$2,368,003
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities -		
Accounts Payable	\$77,611	\$73,459
Accrued Liabilities	66,921	105,870
Current Portion of Long-term Debt	36,500	—
Total Current Liabilities	181,032	179,329
Long-term Debt	589,924	620,922
Other Long-term Liabilities	30,554	31,096
Deferred Income Taxes	133,569	118,966
Total Liabilities	935,079	950,313
Stockholders' Equity –		
Preferred Stock, Par Value \$0.01; Authorized 5,000,000 Shares; None Issued	—	—
Common Stock, Par Value \$0.01; Authorized 100,000,000 Shares;		
Issued and Outstanding 46,238,591 and 48,282,784 Shares, respectively	462	483
Capital in Excess of Par Value	—	122,379
Accumulated Other Comprehensive Losses	(3,844)	(4,012)
Retained Earnings	1,423,719	1,298,840
Total Stockholders' Equity	1,420,337	1,417,690
	\$2,355,416	\$2,368,003

See notes to the unaudited consolidated financial statements.

EAGLE MATERIALS INC. AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

	For the Nine Months Ended December 31,	
	2018	2017
	(dollars in thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Earnings	\$196,657	\$219,624
Adjustments to Reconcile Net Earnings to Net Cash Provided		
by Operating Activities, Net of Effect of Non-Cash Activity -		
Depreciation, Depletion and Amortization	91,961	87,903
Deferred Income Tax Provision	14,552	(50,023)
Stock Compensation Expense	11,609	10,890
Equity in Earnings of Unconsolidated Joint Venture	(28,931)	(33,203)
Distributions from Joint Venture	27,500	26,500
Changes in Operating Assets and Liabilities:		
Accounts and Notes Receivable	4,905	(4,718)
Inventories	6,899	13,417
Accounts Payable and Accrued Liabilities	(34,964)	17,372
Other Assets	(1,524)	(11,889)
Income Taxes Payable (Receivable)	5,436	(733)
Net Cash Provided by Operating Activities	294,100	275,140
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to Property, Plant, and Equipment	(126,446)	(83,698)
Acquisition Spending	—	(36,761)
Proceeds from Sale of Property, Plant, and Equipment	2,281	—
Net Cash Used in Investing Activities	(124,165)	(120,459)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (Decrease) in Credit Facility	5,000	(40,000)
Repayment of Private Placement Senior Unsecured Notes	—	(81,214)
Dividends Paid to Stockholders	(14,293)	(14,571)
Purchase and Retirement of Common Stock	(191,800)	(24,903)
Proceeds from Stock Option Exercises	1,992	23,729
Shares Redeemed to Settle Employee Taxes on Stock Compensation	(1,842)	(2,607)
Net Cash Used in Financing Activities	(200,943)	(139,566)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH	(31,008)	15,115
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AT BEGINNING OF PERIOD	48,068	6,561
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AT END OF PERIOD	\$17,060	\$21,676

See notes to the unaudited consolidated financial statements.

EAGLE MATERIALS INC. AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (unaudited)

	Accumulated				Total
	Capital in		Other		
	Common	Excess of	Retained	Comprehensive	
	Stock	Par Value	Earnings	Losses	
	(dollars in thousands)				
Balance at March 31, 2017	\$485	\$149,014	\$1,061,347	\$ (7,396)) \$1,203,450
Net Earnings	—	—	256,632	—	256,632
Stock Option Exercises and Restricted Share Vesting	3	24,261	—	—	24,264
Purchase and Retirement of Common Stock	(5)	(61,073)	—	—	(61,078)
Dividends to Stockholders	—	—	(19,404)	—	(19,404)
Stock Compensation Expense	—	14,079	—	—	14,079
Cumulative Impact of the Adoption of ASU 2016-09 Reclassification of Income Tax Effects to Retained Earnings	—	713	(713)	—	—
Shares Redeemed to Settle Employee Taxes	—	(4,974)	—	—	(4,974)
Other	—	359	—	—	359
Unfunded Pension Liability, net of tax	—	—	—	4,362	4,362
Balance at March 31, 2018	\$483	\$122,379	\$1,298,840	\$ (4,012)) \$1,417,690
Net Earnings	—	—	196,657	—	196,657
Stock Option Exercises and Restricted Share Vesting	—	1,992	—	—	1,992
Purchase and Retirement of Common Stock	(22)	(134,137)	(57,641)	—	(191,800)
Dividends to Stockholders	—	—	(14,137)	—	(14,137)
Stock Compensation Expense	1	11,608	—	—	11,609
Shares Redeemed to Settle Employee Taxes	—	(1,842)	—	—	(1,842)
Unfunded Pension Liability, net of tax	—	—	—	168	168
Balance at December 31, 2018	\$462	\$—	\$1,423,719	\$ (3,844)) \$1,420,337

See notes to the unaudited consolidated financial statements.

Eagle Materials Inc. and Subsidiaries
Notes to Unaudited Consolidated Financial Statements

(A) BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements as of and for the three- and nine-month periods ended December 31, 2018 include the accounts of Eagle Materials Inc. and its majority-owned subsidiaries (collectively, the Company, us, or we) and have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. These unaudited consolidated financial statements should be read in conjunction with the audited consolidated financial statements and the notes thereto included in our Annual Report on Form 10-K filed with the Securities and Exchange Commission on May 23, 2018.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations, although we believe that the disclosures are adequate to make the information presented not misleading. In our opinion, all adjustments (consisting solely of normal recurring adjustments) necessary to present fairly the information in the following unaudited consolidated financial statements of the Company have been included. The results of operations for interim periods are not necessarily indicative of the results for the full year.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Recent Accounting Pronouncements

RECENTLY ADOPTED

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) ASU 2014-09, "Revenue from Contracts with Customers." ASU 2014-09 supersedes the revenue recognition requirements in "Revenue Recognition (Topic 605)," and requires entities to recognize revenue in a way that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. We adopted the new standard on April 1, 2018 using the modified retrospective approach. The adoption of this standard did not affect our consolidated financial statements. We have included expanded disclosure of our revenue recognition policies in Footnote (C) to the Unaudited Consolidated Financial Statements.

In March 2017, the FASB issued ASU 2017-07, "Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost," which revises the accounting for periodic pension and postretirement expense. This ASU requires net periodic benefit cost, with the exception of service cost, to be presented retrospectively as nonoperating expense. Service cost will remain a component of Cost of Goods Sold and represent the only cost of pension and postretirement expense eligible for capitalization. We adopted the standard on April 1, 2018 using the retrospective method for presentation of service cost and other components in the income statement. We prospectively adopted the requirement to limit the capitalization of benefit cost to the service cost component. The impact of adopting this standard was not material to our financial statements.

In January 2017, the FASB issued ASU 2017-04, "Simplifying the Test for Goodwill Impairment," which eliminates the second step of the goodwill impairment test. Under the new standard, an entity should recognize an impairment charge for the amount by which the carrying value of the reporting unit exceeds the reporting unit's fair value. We adopted this standard effective April 1, 2018, and it will be effective for our annual goodwill impairment tests in the fourth quarter of fiscal 2019.

PENDING ADOPTION

In February 2016, the FASB issued ASU 2016-02, “Leases,” which supersedes existing lease guidance to require lessees to recognize assets and liabilities on the balance sheet for the rights and obligations created by long term leases and to disclose additional quantitative and qualitative information about leasing arrangements. The standard will be effective for us in the first quarter of fiscal 2020, and we will adopt the standard using the modified retrospective approach. We are currently assessing the impact of the ASU on our consolidated financial statements and disclosures, as well as our internal lease accounting processes.

In January 2018, the FASB issued ASU 2018-01, “Land Easement Practical Expedient for Transition to Topic 842.” This ASU permits the Company to elect not to evaluate under the new lease guidance land easements that existed or expired before the adoption of the ASU 2016-02 and that were not previously accounted for as leases. We will adopt ASU 2018-01 concurrently with the adoption of ASU 2016-02 in the first quarter of fiscal 2020.

(B) CASH FLOW INFORMATION—SUPPLEMENTAL

Cash payments made for interest were \$17.8 million and \$19.8 million for the nine months ended December 31, 2018 and 2017, respectively. Net payments made for federal and state income taxes during the nine months ended December 31, 2018 and 2017 were \$35.2 million and \$68.8 million, respectively.

(C) REVENUE

On April 1, 2018, we adopted the new accounting standard ASU 2014-09 (Topic 606), “Revenue from Contracts with Customers,” and all the related amendments to contracts using the modified retrospective method. The adoption of ASU 2014-09 had no impact on our financial statements at the time of the adoption.

We earn Revenue primarily from the sale of products, which include cement, concrete, aggregates, gypsum wallboard, recycled paperboard, and frac sand. The vast majority of Revenue from the sale of cement, concrete, aggregates, and gypsum wallboard are originated by purchase orders from our customers, who are primarily third-party contractors and suppliers. Revenue from our Recycled Paperboard and Oil and Gas Proppants segments is generated primarily through long-term supply agreements that mature between 2018 and 2025. We also earn Revenue from transload services and storage; we recognize Revenue from these services when the product is transferred from the rail car to the truck or silo, or from the silo to the railcar or truck. We invoice customers upon shipment, and our collection terms range from 30-65 days. Revenue from the sale of cement, concrete, aggregates, and gypsum wallboard that is not related to long-term supply agreements is recognized upon shipment of the related products to customers, which is when title and ownership are transferred, and the customer is obligated to pay.

Revenue from sales under our long-term supply agreements is also recognized upon transfer of control to the customer, which generally occurs at the time the product is shipped from the production facility or transload location. Our long-term supply agreements with customers define, among other commitments, the volume of product that we must provide and the volume that the customer must purchase by the end of the defined periods. Pricing structures under our agreements are generally market-based but are subject to certain contractual adjustments. Historically the pricing and volume requirements under certain of these contracts have been renegotiated during volatile market conditions. Shortfall amounts, if applicable under these arrangements, are constrained and not recognized as Revenue until agreement is reached with the customer and there is no risk of reversal.

The Company offers certain of its customers, including those with long-term supply agreements, rebates and incentives, which we treat as variable consideration. We adjust the amount of revenue recognized for the variable consideration using the most likely amount method based on past history and projected volumes in the rebate and incentive period. Any amounts billed to customers for taxes are excluded from Revenue.

The Company has elected to treat freight and delivery charges we pay for the delivery of goods to our customers as a fulfillment activity rather than a separate performance obligation. When we arrange for a third party to deliver products to customers, fees for shipping and handling that are billed to the customer are recorded as Revenue, while costs we incur for shipping and handling are recorded as expenses and included in Cost of Goods Sold.

Other Non-Operating Income includes lease and rental income, asset sale income, non-inventoried aggregates sales income, distribution center income, and trucking income, as well as other miscellaneous revenue items and costs that have not been allocated to a business segment.

See Footnote (M) to the Unaudited Consolidated Financial Statements for disaggregation of Revenue by segment.

(D) ACCOUNTS AND NOTES RECEIVABLE

Accounts and Notes Receivable have been shown net of the allowance for doubtful accounts of \$9.2 million and \$8.6 million at December 31, 2018 and March 31, 2018, respectively. We perform ongoing credit evaluations of our customers' financial condition and generally require no collateral from our customers. The allowance for non-collection of receivables is based upon analysis of economic trends in the construction industry, detailed analysis of the expected collectability of accounts receivable that are past due, and the expected collectability of overall receivables. We have no significant credit risk concentration among our diversified customer base.

We had Notes Receivable totaling approximately \$3.7 million at December 31, 2018, of which approximately \$0.7 million has been classified as current and presented with Accounts Receivable on the balance sheet. We lend funds to certain companies in the ordinary course of business, and the notes bear interest, on average, at 4.5%. Remaining unpaid amounts, plus accrued interest, mature in fiscal 2025. The notes are collateralized by certain assets of the borrowers, namely property and equipment, and are generally payable monthly. We monitor the credit risk of each borrower by assessing the timeliness of payments, credit history, credit metrics, and our ongoing interactions with each borrower.

(E) STOCKHOLDERS' EQUITY

During the nine months ended December 31, 2018, we repurchased 2,189,100 shares at an average price of \$87.62. Subsequent to December 31, 2018, we repurchased an additional 340,000 shares through January 25, 2019, at an average price of \$64.94. Including the repurchases subsequent to December 31, 2018, we have authorization to purchase an additional 1,660,328 shares.

(F) INVENTORIES

Inventories are stated at the lower of average cost (including applicable material, labor, depreciation, and plant overhead) or net realizable value, and consist of the following:

	December 31, 2018	March 31, 2018
	(dollars in thousands)	
Raw Materials and Materials-in-Progress	\$ 110,795	\$ 121,628
Finished Cement	25,062	24,089

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Aggregates	6,726	7,787
Gypsum Wallboard	7,795	8,477
Paperboard	14,279	8,602
Frac Sand	3,022	1,696
Repair Parts and Supplies	77,995	79,878
Fuel and Coal	5,586	6,002
	\$251,260	\$258,159

(G) ACCRUED EXPENSES

Accrued Expenses consist of the following:

	December 31,	March 31,
	2018	2018
	(dollars in thousands)	
Payroll and Incentive Compensation	\$28,022	\$25,290
Benefits	12,066	13,785
Interest	7,198	3,852
Property Taxes	4,584	5,422
Power and Fuel	2,094	1,545
Litigation Settlements	1,800	45,098
Legal	325	1,435
Sales and Use Tax	765	890
Other	10,067	8,553
	\$66,921	\$105,870

(H) Share-BASED EMPLOYEE COMPENSATION

On August 7, 2013, our stockholders approved the Eagle Materials Inc. Amended and Restated Incentive Plan (the Plan), which increased the shares we are authorized to issue as awards by 3,000,000 (1,500,000 of which may be stock awards). Under the terms of the Plan, we can issue equity awards, including stock options, restricted stock units (RSUs), restricted stock, and stock appreciation rights to employees of the Company and members of the Board of Directors. Awards that were already outstanding prior to the approval of the Plan on August 7, 2013 remain outstanding. The Compensation Committee of our Board of Directors specifies the terms for grants of equity awards under the Plan.

Long-Term Compensation Plans**OPTIONS**

In May 2018, the Compensation Committee of the Board of Directors approved the granting to certain officers and key employees an aggregate of 62,179 performance vesting stock options that will be earned only if certain performance conditions are satisfied (the Fiscal 2019 Employee Performance Stock Option Grant). The performance criteria for the Fiscal 2019 Employee Performance Stock Option Grant are based upon the achievement of certain levels of return on equity (as defined in the option agreements), ranging from 10.0% to 20.0%, for the fiscal year ending March 31, 2019. All stock options will be earned if the return on equity is 20.0% or greater, and the percentage of shares earned will be reduced proportionately to approximately 66.7% if the return on equity is 10.0%. If the Company does not achieve a return on equity of at least 10.0%, all stock options granted will be forfeited. Following any such reduction, restrictions on the earned stock options will lapse ratably over four years, with the initial fourth lapsing promptly following the determination date, and the remaining restrictions lapsing on March 31, 2020 through 2022. The stock options have a term of ten years from the date of grant. The Compensation Committee also approved the granting to the same officers and key employees of 51,814 time-vesting stock options, which vest ratably over four

years (the Fiscal 2019 Employee Time-Vesting Stock Option Grant).

In August 2018, we granted 1,741 options to members of the Board of Directors (the Fiscal 2019 Board of Directors Stock Option Grant). Options granted under the Fiscal 2019 Board of Directors Stock Option Grant vest immediately and can be exercised from the date of the grant until their expiration of the tenth anniversary of the date of grant.

The Fiscal 2019 Employee Performance Stock Option Grant, the Fiscal 2019 Employee Time-Vesting Stock Option Grant, and the Fiscal 2019 Board of Directors Stock Option Grant were valued at the grant date using the Black-Scholes option pricing model. The weighted average assumptions used in the Black-Scholes models to value the option awards in fiscal 2019 are as follows:

	2018
Dividend Yield	1.3 %
Expected Volatility	32.7 %
Risk Free Interest Rate	2.9 %
Expected Life	6.0 years

Stock option expense for all outstanding stock option awards totaled approximately \$0.9 million and \$3.0 million for the three and nine months ended December 31, 2018, respectively, and approximately \$1.1 million and \$3.3 million for the three and nine months ended December 31, 2017, respectively. At December 31, 2018, there was approximately \$7.6 million of unrecognized compensation cost related to outstanding stock options, which is expected to be recognized over a weighted average period of 2.5 years.

The following table represents stock option activity for the nine months ended December 31, 2018:

	Number	Weighted Average Exercise Price
Outstanding Options at Beginning of Year	958,136	\$ 72.52
Granted	115,734	\$ 106.14
Exercised	(35,454)	\$ 110.89
Cancelled	(2,197)	\$ 100.88
Outstanding Options at End of Year	1,036,219	\$ 76.77
Options Exercisable at End of Year	696,763	\$ 69.01
Weighted Average Fair Value of Options Granted during the Year		\$ 33.99

The following table summarizes information about stock options outstanding at December 31, 2018:

Range of Exercise Prices	Options Outstanding		Options Exercisable
	Number of	Weighted	Weighted

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	Shares	Average	Average	Number	Average
	Outstanding	Remaining	Exercise	of	Exercise
		Contractual	Price	Shares	Price
		Life		Outstanding	
\$23.17 - \$29.84	65,912	2.60	\$ 23.27	65,912	\$ 23.27
\$33.43 - \$37.34	84,582	3.46	\$ 33.98	84,582	\$ 33.98
\$53.22 - \$77.67	293,163	6.32	\$ 71.27	193,598	\$ 70.41
\$79.73 - \$106.24	592,562	7.25	\$ 91.55	352,671	\$ 85.18
	1,036,219	6.38	\$ 76.77	696,763	\$ 69.01

At December 31, 2018, the aggregate intrinsic value for both outstanding and exercisable options was approximately \$4.8 million. The total intrinsic value of options exercised during the nine months ended December 31, 2018 was approximately \$1.9 million.

RESTRICTED STOCK

In May 2018, the Compensation Committee approved the granting to certain officers and key employees an aggregate of 57,756 shares of performance vesting restricted stock that will be earned if certain performance conditions are satisfied (the Fiscal 2019 Employee Restricted Stock Performance Award). The performance criteria for the Fiscal 2019 Employee Restricted Stock Performance Award are based upon the achievement of certain levels of return on equity (as defined in the award agreement), ranging from 10.0% to 20.0%, for the fiscal

year ending March 31, 2019. All restricted shares will be earned if the return on equity is 20.0% or greater, and the percentage of shares earned will be reduced proportionately to approximately 66.7% if the return on equity is 10.0%. If the Company does not achieve a return on equity of at least 10.0%, all awards will be forfeited. Following any such reduction, restrictions on the earned shares will lapse ratably over four years, with the initial fourth lapsing promptly following the determination date, and the remaining restrictions lapsing on March 31, 2020 through 2022. The Compensation Committee also approved the granting to the same officers and key employees of 48,130 shares of time-vesting restricted stock, which vest ratably over four years (the Fiscal 2019 Employee Restricted Stock Time-Vesting Award). The Fiscal 2019 Employee Restricted Stock Performance Award and the Fiscal 2019 Employee Restricted Stock Time-Vesting Award were valued at the closing price of the stock on the date of grant and are being expensed over a four-year period.

In August 2018, we granted 15,950 shares of restricted stock to members of the Board of Directors (the Board of Directors Fiscal 2019 Restricted Stock Award), which vest six months after the grant date. The Board of Directors Fiscal 2019 Restricted Stock Award was valued at the closing price of the stock at the date of the grant and is being expensed over a six-month period.

The fair value of restricted stock is based on the stock price at the date of grant. The following table summarizes the activity for nonvested restricted shares during the nine months ended December 31, 2018:

	Number of Shares	Weighted Average Grant Date Fair Value
Restricted Stock Beginning of Year	328,059	\$ 65.76
Granted	121,836	\$ 105.13
Vested	(48,686)	\$ 62.25
Forfeited	(1,990)	\$ 100.88
Nonvested Restricted Stock at End of Year	399,219	\$ 79.86

During the nine months ended December 31, 2018, the weighted average grant date fair value of restricted shares granted was \$105.13.

Expense related to restricted shares was approximately \$3.1 million and \$8.6 million for the three and nine months ended December 31, 2018, respectively, and approximately \$2.6 million and \$7.5 million for the three and nine months ended December 31, 2017, respectively. At December 31, 2018, there was approximately \$21.2 million of unearned compensation from restricted stock, which will be recognized over a weighted average period of 2.2 years.

The number of shares available for future grants of stock options, restricted stock units, stock appreciation rights, and restricted stock under the Plan was 3,984,898 at December 31, 2018.

(I) COMPUTATION OF EARNINGS PER SHARE

The calculation of basic and diluted common shares outstanding is as follows:

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	For the Three Months Ended December 31,		For the Nine Months Ended December 31,	
	2018	2017	2018	2017
Weighted Average Shares of Common Stock Outstanding Effect of Dilutive Shares:	46,275,198	48,221,093	47,059,408	48,132,276
Assumed Exercise of Outstanding Dilutive Options	268,283	887,506	629,968	1,069,152
Less Shares Repurchased from Proceeds of Assumed Exercised Options	(171,402)	(606,549)	(442,898)	(778,985)
Restricted Stock Units	123,915	255,712	156,793	218,987
Weighted Average Common Stock and Dilutive Securities Outstanding	46,495,994	48,757,762	47,403,271	48,641,430
Shares Excluded Due to Anti-dilution Effects	756,035	121,179	360,978	91,089

(J) PENSION AND EMPLOYEE BENEFIT PLANS

We sponsor several defined benefit pension plans and defined contribution plans which together cover substantially all our employees. Benefits paid under the defined benefit plans covering certain hourly employees are based on each employee's years of service and qualifying compensation over the last few years of employment.

The following table shows the components of net periodic cost for our plans:

	For the Three Months Ended December 31,		For the Nine Months Ended December 31,	
	2018	2017	2018	2017
	(dollars in thousands)			
Service Cost - Benefits Earned During the Period	\$100	\$153	\$300	\$557
Interest Cost of Projected Benefit Obligation	337	357	1,011	1,110
Expected Return on Plan Assets	(463)	(578)	(1,389)	(1,558)
Recognized Net Actuarial Loss	58	46	174	519
Amortization of Prior-Service Cost	15	60	45	210
Net Periodic Pension Cost	\$47	\$38	\$141	\$838

(K) INCOME TAXES

The Tax Cuts and Jobs Act (the Act) was enacted on December 22, 2017. The Act, among other changes, reduces the U.S. federal corporate tax rate from 35% to 21%, allows for the immediate 100% deductibility of certain capital expenditures, repeals the domestic production deduction, and further limits the deductibility of certain executive compensation. In December 2017, we recorded a tax benefit of \$61.0 million related to the change in corporate tax rates that reduced our deferred tax liabilities after the initial assessment of the tax effects of the Act. In the quarter ended December 31, 2018, we finalized our accounting for the Act with no material changes from our provisional calculations.

Income taxes for the interim periods presented have been included in the accompanying financial statements on the basis of an estimated annual effective tax rate. In addition to the amount of tax resulting from applying the estimated annual effective tax rate to pre-tax income, we will, when appropriate, include certain items treated as discrete events to arrive at an estimated overall tax amount. The tax rate for the nine months ended December 31, 2018 was approximately 22%, which was higher than the tax rate of 2% for the nine months ended December 31, 2017. The increase in the rate was primarily due to the benefit recorded in 2017 with the passage of the Act and the corresponding changes in U.S. tax law mentioned above.

(L) LONG-TERM DEBT

Long-term debt consists of the following:

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	December 31, 2018	March 31, 2018
	(dollars in thousands)	
Bank Credit Facility	\$245,000	\$240,000
4.500% Senior Unsecured Notes Due 2026	350,000	350,000
Private Placement Senior Unsecured Notes	36,500	36,500
Total Debt	631,500	626,500
Less: Current Portion of Long-term Debt	(36,500)	—
Less: Debt Origination Costs	(5,076)	(5,578)
Long-term Debt	\$589,924	\$620,922

Credit Facility

We have a \$500.0 million revolving credit facility (the Credit Facility), including a swingline loan sublimit of \$25.0 million, which terminates on August 2, 2021. Borrowings under the Credit Facility are guaranteed by substantially all of the Company's subsidiaries. The debt under the Credit Facility is not rated by ratings agencies.

At our option, outstanding principal amounts on the Credit Facility bear interest at a variable rate equal to (i) the London Interbank Offered Rate (LIBOR) plus an agreed margin (ranging from 100 to 225 basis points), which is to be established quarterly based upon the Company's ratio of consolidated EBITDA, defined as earnings before interest, taxes, depreciation, and amortization, to the Company's consolidated indebtedness (the Leverage Ratio); or (ii) an alternative base rate which is the higher of (a) the prime rate or (b) the federal funds rate plus $\frac{1}{2}\%$ per annum plus an applicable rate (ranging from 0 to 125 basis points). In the case of loans bearing interest at a rate based on the federal funds rate, interest is payable quarterly. In the case of loans bearing interest at a rate based on LIBOR, interest is payable at the end of the LIBOR advance periods, which can be up to nine months at the option of the Company. The Company is also required to pay a commitment fee on unused available borrowings under the Credit Facility ranging from 10 to 35 basis points depending upon the Leverage Ratio. The Credit Facility contains customary covenants that restrict our ability to incur additional debt; encumber our assets; sell assets; make or enter into certain investments, loans or guaranties; and enter into sale and leaseback arrangements. The Credit Facility also requires us to maintain a consolidated indebtedness ratio (calculated as consolidated indebtedness to consolidated earnings before interest, taxes, depreciation, amortization, certain transaction-related deductions, and other non-cash deductions) of 3.5:1.0 or less and an interest coverage ratio (consolidated earnings before interest, taxes, depreciation, amortization, certain transaction-related deductions, and other non-cash deductions to consolidated interest expense) of at least 2.5:1.0. We had \$245.0 million of borrowings outstanding at December 31, 2018. Based on our Leverage Ratio, we had \$247.2 million of available borrowings, net of the outstanding letters of credit, at December 31, 2018.

The Credit Facility has a \$40.0 million letter of credit facility. Under the letter of credit facility, the Company pays a fee at a per annum rate equal to the applicable margin for Eurodollar loans in effect from time to time plus a one-time letter of credit fee in an amount equal to 0.125% of the initial stated amount. At December 31, 2018, we had \$7.8 million of outstanding letters of credit.

4.500% Senior Unsecured Notes Due 2026

On August 2, 2016, the Company issued \$350.0 million aggregate principal amount of 4.500% senior notes (Senior Unsecured Notes) due August 2026. Interest on the Senior Unsecured Notes is payable semi-annually on February 1 and August 1 of each year until all of the outstanding notes are paid. The Senior Unsecured Notes rank equal to existing and future senior indebtedness, including the Credit Facility and the Private Placement Senior Unsecured Notes. Prior to August 1, 2019 we may redeem with the proceeds of certain equity offerings up to 40% of the original aggregate principal amount of the Senior Unsecured Notes at a redemption price of 104.5% of the principal amount of the notes. On or after August 1, 2019 and prior to August 1, 2021, we may redeem some or all of the Senior Unsecured Notes at a price equal to 100% of the principal amount, plus a "make-whole" premium. Beginning on August 1, 2021, we may redeem some or all of the Senior Unsecured Notes at the redemption prices set forth below (expressed as a percentage of the principal amount being redeemed):

	Percentage
2021	102.25 %
2022	101.50 %
2023	100.75 %

2024 and thereafter 100.00 %

The Senior Unsecured Notes contain covenants that limit our ability and/or our guarantor subsidiaries' ability to create or permit to exist certain liens; enter into sale and leaseback transactions; and consolidate, merge, or transfer all or substantially all of our assets. The Company's Senior Unsecured Notes are fully, unconditionally,

jointly, and severally guaranteed by each of our subsidiaries that are guarantors under the Credit Facility and Private Placement Senior Unsecured Notes. See Footnote (Q) to the Unaudited Consolidated Financial Statements for more information on the guarantors of the Senior Unsecured Notes.

Private Placement Senior Unsecured Notes

On October 2, 2007, in a private placement transaction, we entered into a Note Purchase Agreement (the 2007 Note Purchase Agreement) in connection with our sale of \$200.0 million of senior unsecured notes, designated as Series 2007A Senior Notes (the Series 2007A Senior Unsecured Notes). The Series 2007A Senior Unsecured Notes, which are guaranteed by substantially all of our subsidiaries, were sold at par and issued in four tranches.

At December 31, 2018, the amount outstanding for the remaining tranche is as follows:

	Principal	Maturity Date	Interest Rate
Tranche D	\$36.5 million	October 2, 2019	6.48 %

Interest for the Series 2007A Senior Unsecured Notes is payable semi-annually on April 2 and October 2 of each year until all principal is paid for the respective tranche.

Our obligations under the 2007 Note Purchase Agreement are equal in right of payment with all other senior, unsecured indebtedness of the Company, including our indebtedness under the Credit Facility and Senior Unsecured Notes. The 2007 Note Purchase Agreement contains customary restrictive covenants, including, but not limited to, covenants that place limits on our ability to encumber our assets, to incur additional debt, to sell assets, or to merge or consolidate with third parties.

The 2007 Note Purchase Agreement requires us to maintain a Consolidated Debt to Consolidated EBITDA (calculated as consolidated indebtedness to consolidated earnings before interest, taxes, depreciation, depletion, amortization, certain transaction-related deductions, and other non-cash charges) ratio of 3.50:1.00 or less, and to maintain an interest coverage ratio (Consolidated EBITDA to Consolidated Interest Expense [calculated as consolidated EBITDA, as defined above, to consolidated interest expense]) of at least 2.50:1.00. In addition, the 2007 Note Purchase Agreement requires the Company to ensure that at all times either (i) Consolidated Total Assets equal at least 80% of the consolidated total assets of the Company and its subsidiaries, determined in accordance with GAAP; or (ii) consolidated Total Revenue of the Company and its restricted subsidiaries for the period of four consecutive fiscal quarters most recently ended equals at least 80% of the consolidated Total Revenue of the Company and its subsidiaries during such period. We are in compliance with all financial ratios and tests at December 31, 2018.

Pursuant to a Subsidiary Guaranty Agreement, substantially all of our subsidiaries have guaranteed the punctual payment of all principal, interest, and make-whole amounts (as defined in the 2007 Note Purchase Agreement) on the Series 2007A Senior Unsecured Notes and the other payment and performance obligations of the Company contained in the 2007 Note Purchase Agreement. We are permitted, at our option and without penalty, to prepay from time to time at least 10% of the original aggregate principal amount of the Series 2007A Senior Unsecured Notes at 100% of the principal amount to be prepaid, together with interest accrued on such amount to be prepaid to the date of payment, plus a make-whole amount. The make-whole amount is computed by discounting the remaining scheduled principal and interest payments at a discount rate of 50 basis points above the yield to maturity of U.S. Treasury securities having a maturity equal to the remaining average life of the Series 2007A Senior Unsecured Notes being prepaid.

Other Information

We lease one of our cement plants from the city of Sugar Creek, Missouri. The city of Sugar Creek issued industrial revenue bonds to partly finance improvements to the cement plant. The lease payments due to the city of Sugar Creek under the cement plant lease, which was entered into upon the sale of the industrial revenue

bonds, are equal in amount to the payments required to be made by the city of Sugar Creek to the holders of the industrial revenue bonds. Because we hold all outstanding industrial revenue bonds, no debt is reflected on our financial statements in connection with our lease of the cement plant. Upon expiration of the lease in fiscal 2021, we have the option to purchase the cement plant for a nominal amount.

(M) SEGMENT INFORMATION

Operating segments are defined as components of an enterprise that engage in business activities that earn revenue, incur expenses, and prepare separate financial information that is evaluated regularly by our chief operating decision maker in order to allocate resources and assess performance. During the quarter ended December 31, 2018, we changed our segment presentation to reflect the reorganization of our Oil and Gas Proppants and frac sand distribution businesses. Under this reorganization, the distribution business became a division of the Oil and Gas Proppants business. The operations of the frac sand distribution business have been reported in the Other segment since we acquired the business in fiscal 2018. We have adjusted the prior period segment presentation to reflect this change for comparative purposes.

We are a leading supplier of heavy construction materials, light building materials, and materials used for oil and natural gas extraction in the United States. Our products are commodities that are essential in commercial and residential construction; public construction projects; projects to build, expand, and repair roads and highways; and in oil and natural gas extraction.

Our business is organized into three sectors within which there are five reportable business segments. The Heavy Materials sector includes the Cement and Concrete and Aggregates segments. The Light Materials sector includes the Gypsum Wallboard and Recycled Paperboard segments. The Oil and Gas Proppants segment produces and distributes frac sand used in oil and gas exploration and extraction.

Our operations are conducted in the U.S. and include the mining of limestone for the manufacture, production, distribution, and sale of portland cement (a basic construction material that is the essential binding ingredient in concrete); the grinding and sale of slag; the mining of gypsum for the manufacture and sale of gypsum wallboard; the manufacture and sale of recycled paperboard to the gypsum wallboard industry and other paperboard converters; the sale of readymix concrete; the mining and sale of aggregates (crushed stone, sand, and gravel); and the mining, sale and distribution of sand used in hydraulic fracturing (frac sand).

We operate seven cement plants, one slag grinding facility, 18 cement distribution terminals, five gypsum wallboard plants, a gypsum wallboard distribution center, a recycled paperboard mill, 17 readymix concrete batch plants, four aggregates processing plants, two frac sand processing facilities, three frac sand drying facilities, and 14 frac sand distribution terminals. The principal markets for our cement products are Texas, Illinois, the central plains, Michigan, Iowa, the Rocky Mountains, northern Nevada, southern Ohio, and northern California. We distribute gypsum wallboard and recycled paperboard throughout the continental U.S., with the exception of the Northeast. Concrete and aggregates are sold to local readymix producers and paving contractors in the Austin, Texas area; the region north of Sacramento, California; and the greater Kansas City, Missouri area. Frac sand is currently sold into shale deposits across the United States.

We conduct one of our seven cement plant operations, Texas Lehigh Cement Company LP, in Buda, Texas, through a Joint Venture. For segment reporting purposes only, we proportionately consolidate our 50% share of the Joint Venture's Revenue and Operating Earnings, consistent with the way management reports the segments within the Company for making operating decisions and assessing performance.

We account for intersegment sales at market prices. The following table sets forth certain financial information relating to our operations by segment:

	For the Three Months Ended December 31,		For the Nine Months Ended December 31,	
	2018	2017	2018	2017
	(dollars in thousands)			
Revenue -				
Cement	\$163,732	\$161,601	\$543,681	\$536,186
Concrete and Aggregates	30,841	38,742	111,425	126,092
Gypsum Wallboard	130,954	133,348	402,978	383,229
Paperboard	39,638	48,389	126,048	138,161
Oil and Gas Proppants	14,100	26,392	65,266	67,324
	379,265	408,472	1,249,398	1,250,992
Less: Intersegment Revenue	(20,611)	(23,575)	(62,746)	(69,489)
Less: Joint Venture Revenue	(25,369)	(25,526)	(78,112)	(79,696)
	\$333,285	\$359,371	\$1,108,540	\$1,101,807

	For the Three Months Ended December 31,		For the Nine Months Ended December 31,	
	2018	2017	2018	2017
	(dollars in thousands)			
Intersegment Revenue -				
Cement	\$3,518	\$4,160	\$11,769	\$13,743
Concrete and Aggregates	346	288	1,178	1,103
Paperboard	16,747	19,127	49,799	54,643
	\$20,611	\$23,575	\$62,746	\$69,489
Cement Sales Volume (M tons) -				
Wholly Owned	1,126	1,123	3,740	3,734
Joint Venture	218	216	672	686
	1,344	1,339	4,412	4,420

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	For the Three Months Ended December 31,		For the Nine Months Ended December 31,	
	2018	2017	2018	2017
	(dollars in thousands)			
Operating Earnings -				
Cement	\$47,197	\$52,523	\$142,078	\$154,456
Concrete and Aggregates	1,037	3,414	10,621	15,054
Gypsum Wallboard	43,543	39,841	139,694	123,237
Paperboard	7,475	10,903	26,078	22,358
Oil and Gas Proppants	(9,324)	(743)	(19,554)	(4,523)
Sub-Total	89,928	105,938	298,917	310,582
Corporate General and Administrative Expense	(9,408)	(9,883)	(27,333)	(29,383)
Litigation Settlements and Losses	—	(39,098)	(1,800)	(39,098)
Other Non-Operating Income	1,292	1,084	2,291	2,728
Earnings Before Interest and Income Taxes	81,812	58,041	272,075	244,829
Interest Expense, net	(7,294)	(6,653)	(20,743)	(21,592)
Earnings Before Income Taxes	\$74,518	\$51,388	\$251,332	\$223,237
Cement Operating Earnings -				
Wholly Owned	\$37,690	\$41,151	\$113,147	\$121,253
Joint Ventures	9,507	11,372	28,931	33,203
	\$47,197	\$52,523	\$142,078	\$154,456
Capital Expenditures -				
Cement	\$17,691	\$11,012	\$51,524	\$31,744
Concrete and Aggregates	2,263	2,446	4,786	4,976
Gypsum Wallboard	2,054	4,616	8,533	15,477
Paperboard	1,486	1,490	7,896	2,913
Oil and Gas Proppants	5,818	13,993	48,684	28,353
Other, net	3,690	50	5,023	235
	\$33,002	\$33,607	\$126,446	\$83,698
Depreciation, Depletion and Amortization -				
Cement	\$13,242	\$13,117	\$38,909	\$38,258
Concrete and Aggregates	2,049	2,007	6,154	5,851
Gypsum Wallboard	4,978	4,599	15,009	13,514
Paperboard	2,150	2,204	6,387	6,513
Oil and Gas Proppants	6,964	6,370	24,403	22,682
Corporate and Other	402	353	1,099	1,085
	\$29,785	\$28,650	\$91,961	\$87,903

	December 31,	March 31,
	2018	2018
	(dollars in thousands)	
Identifiable Assets		
Cement	\$1,262,380	\$1,247,504
Concrete and Aggregates	98,552	104,851

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Gypsum Wallboard	370,633	386,041
Paperboard	129,366	123,819
Oil and Gas Proppants	462,327	444,826
Other, net	32,158	60,962
	\$2,355,416	\$2,368,003

Segment operating earnings, including the proportionately consolidated 50% interest in the revenue and expenses of the Joint Venture, represent Revenue, less direct operating expenses, segment Depreciation, and segment Selling, General and Administrative expenses. We account for intersegment sales at market prices.

Corporate assets consist primarily of cash and cash equivalents, general office assets, and miscellaneous other assets.

The basis used to disclose Identifiable Assets; Capital Expenditures; and Depreciation, Depletion and Amortization conforms with the equity method, and is similar to how we disclose these accounts in our Unaudited Consolidated Balance Sheets and Unaudited Consolidated Statements of Earnings.

The segment breakdown of Goodwill is as follows:

	December 31, 2018	March 31, 2018
	(dollars in thousands)	
Cement	\$74,214	\$74,214
Gypsum Wallboard	116,618	116,618
Paperboard	7,538	7,538
Oil and Gas Proppants	6,841	6,841
	\$205,211	\$205,211

Summarized financial information for the Joint Venture that is not consolidated is set out below (this summarized financial information includes the total amount for the Joint Venture and not our 50% interest in those amounts):

	For the Three Months Ended December 31,		For the Nine Months Ended December 31,	
	2018	2017	2018	2017
	(dollars in thousands)			
Revenue	\$51,411	\$51,311	\$158,922	\$163,128
Gross Margin	\$20,178	\$23,421	\$62,196	\$69,672
Earnings Before Income Taxes	\$19,013	\$22,745	\$57,862	\$66,407

	December 31, 2018	March 31, 2018
	(dollars in thousands)	
Current Assets	\$71,385	\$71,089
Non-Current Assets	\$69,773	\$66,856
Current Liabilities	\$20,070	\$20,671

(N) INTEREST EXPENSE

The following components are included in Interest Expense, net:

	For the Three Months Ended December 31,		For the Nine Months Ended December 31,	
	2018	2017	2018	2017
	(dollars in thousands)			
Interest Income	\$(7)	\$(4)	\$(119)	\$(10)
Interest Expense	7,022	6,363	20,024	20,692
Other Expenses	279	294	838	910
Interest Expense, net	\$7,294	\$6,653	\$20,743	\$21,592

Interest Income includes interest on investments of excess cash. Components of Interest Expense include interest associated with the Credit Facility, Senior Unsecured Notes, Private Placement Senior Unsecured Notes, and commitment fees based on the unused portion of the Credit Facility. Other Expenses include amortization of debt issuance costs and credit facility costs.

(O) COMMITMENTS AND CONTINGENCIES

We have certain deductible limits under our workers' compensation and liability insurance policies for which reserves are established based on the undiscounted estimated costs of known and anticipated claims. We have entered into standby letter of credit agreements relating to workers' compensation and auto and general liability self-insurance. At December 31, 2018, we had contingent liabilities under these outstanding letters of credit of approximately \$7.8 million.

In the ordinary course of business, we execute contracts involving indemnifications that are standard in the industry and indemnifications specific to a transaction such as the sale of a business. These indemnifications may include claims relating to any of the following: environmental and tax matters; intellectual property rights; governmental regulations and employment-related matters; customer, supplier, and other commercial contractual relationships; and construction contracts and financial matters. While the maximum amount to which the Company may be exposed under such agreements cannot be estimated, management believes these indemnifications will not have a material adverse effect on our consolidated financial position, results of operations, or cash flows. We currently have no outstanding guarantees.

We are currently contingently liable for performance under \$26.1 million in performance bonds required by certain states and municipalities and their related agencies. The bonds are principally for certain reclamation obligations and mining permits. We have indemnified the underwriting insurance company against any exposure under the performance bonds. In our past experience, no material claims have been made against these financial instruments.

Domestic Wallboard Antitrust Litigation

Since late December 2012, several purported class action lawsuits were filed in various United States District Courts, including the Eastern District of Pennsylvania, Western District of North Carolina, and the Northern District of Illinois, against the Company and the Company's subsidiary, American Gypsum Company LLC (American Gypsum),

alleging that the defendant wallboard manufacturers conspired to fix the price of drywall sold in the United States in violation of federal antitrust laws, and in some cases related provisions of state law. In addition to American Gypsum, the defendants in these lawsuits included certain other wallboard manufacturers. These cases were subsequently transferred and consolidated to the Eastern District of Pennsylvania for coordinated pretrial proceedings.

The plaintiffs in the consolidated class action complaints asserted claims on behalf of purported classes of direct purchasers or end users of wallboard from January 1, 2012 to the present for unspecified monetary damages (including treble damages) and in some cases injunctive relief. The Company and American Gypsum denied all

allegations that they conspired to increase the price of drywall and asserted affirmative defenses to the plaintiffs' claims.

Following completion of the initial discovery, the Company and remaining co-defendants moved for summary judgment. On February 18, 2016, the court denied the Company's motion for summary judgment.

On August 23, 2017, the court granted the direct purchaser plaintiffs' motion for class certification and certified a class consisting of all persons or entities that purchased paper-backed gypsum wallboard in the United States from January 1, 2012 through January 31, 2013 directly from American Gypsum, the Company, Lafarge, New NGC, PABCO, USG, and/or L&W Supply Corporation (which was a subsidiary of USG Corporation during the class period). In addition, on August 24, 2017, the court denied the indirect purchaser's motion for class certification.

On December 29, 2017, American Gypsum and the Company, as well as New NGC and PABCO, which are not affiliated with the Company, entered into a settlement agreement (the Direct Purchaser Settlement Agreement) with counsel representing the direct purchaser class to settle all claims made against the Company, American Gypsum, New NGC, and PABCO in the direct purchaser class action. The Direct Purchaser Settlement Agreement, in which the Company and American Gypsum deny all wrongdoing, also includes releases by the participating class members of the Company and American Gypsum as well as their subsidiaries, affiliates, and other related parties, for the time period from January 1, 2012, through the date of execution of the Direct Purchaser Settlement Agreement. On January 5, 2018, American Gypsum, New NGC, and PABCO entered into a settlement agreement (the Indirect Purchaser Settlement Agreement) with counsel representing the indirect purchaser class to settle all claims against American Gypsum, New NGC, and PABCO in the indirect purchaser class action. The Indirect Purchaser Settlement Agreement was approved by the District Court on October 26, 2018. Under the Direct and Indirect Purchaser Settlement Agreements, the Company and American Gypsum agreed to pay a total of approximately \$39.1 million in cash to settle the claims against them. These claims were accrued at the time of the settlements, and during March 2018 we deposited approximately \$38.8 million into a qualified settlement fund. The amount accrued under the Direct Purchaser Settlement Agreement was paid in July 2018 after approval by the District Court.

In March 2015, a group of homebuilders filed a complaint against the defendants, including American Gypsum, based upon the same conduct alleged in the consolidated class action complaints. In March 2015, the Judicial Panel on Multidistrict Litigation (JPML) transferred this action to the multidistrict litigation already pending in the Eastern District of Pennsylvania. Effective May 8, 2018, American Gypsum and the homebuilder plaintiffs entered into a settlement agreement (the Homebuilder Settlement Agreement) to settle all claims made against American Gypsum. The Homebuilder Settlement Agreement, in which American Gypsum denies all wrongdoing, includes releases by the homebuilder plaintiffs of American Gypsum as well as its subsidiaries, affiliates, and other related parties, for the time period prior to and including the date of execution of the Homebuilder Settlement Agreement. Under the Homebuilder Settlement Agreement, American Gypsum agreed to pay a total of \$6.0 million in cash to settle the claims against it. At March 31, 2018, we accrued the total amount of this settlement, and this amount was paid in May 2018.

In June 2015, American Gypsum and an employee received grand jury subpoenas from the United States District Court for the Western District of North Carolina seeking information regarding an investigation of the gypsum drywall industry by the Antitrust Division of the Department of Justice. We believe the investigation, although a separate proceeding, was related to the same subject matter at issue in the litigation described above. On August 24, 2018, the Antitrust Division notified us that the investigation has been closed.

(P) FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of our long-term debt has been estimated based upon our current incremental borrowing rates for similar types of borrowing arrangements. The fair value of our Senior Unsecured Notes and Private Placement Senior Unsecured Notes at December 31, 2018 is as follows:

	Fair Value (dollars in thousands)
Series 2007A Tranche D 4.500% Senior Unsecured Notes Due 2026	\$ 37,132
	\$ 345,100

The estimated fair values were based on quoted prices of similar debt instruments with similar terms that are publicly traded (level 2 input). The carrying values of Cash and Cash Equivalents, Restricted Cash, Accounts and Notes Receivable, Accounts Payable, and Accrued Liabilities approximate their fair values at December 31, 2018 due to the short-term maturities of these assets and liabilities. The fair value of our Credit Facility also approximates the carrying value at December 31, 2018.

(Q) FINANCIAL STATEMENTS FOR GUARANTORS OF THE 4.500% SENIOR UNSECURED NOTES

On August 2, 2016, the Company completed a public offering of its Senior Unsecured Notes. The Senior Unsecured Notes are senior unsecured obligations of the Company and were offered under the Company's existing shelf registration statement filed with the Securities and Exchange Commission.

The Senior Unsecured Notes are guaranteed by all of the Company's wholly owned subsidiaries, and all guarantees are full and unconditional, and joint and several. The following unaudited condensed consolidating financial statements present separately the Earnings and Comprehensive Earnings, Financial Position and Cash Flows of the parent issuer (Eagle Materials Inc.) and the guarantors (all wholly owned subsidiaries of Eagle Materials Inc.) on a combined basis with eliminating entries (dollars in thousands).

Condensed Consolidating Statement of Earnings and

	Guarantor			
Comprehensive Earnings For the Three Months Ended December 31, 2018	Parent	Subsidiaries	Eliminations	Consolidated
Revenue	\$—	\$ 333,285	\$—	\$ 333,285
Cost of Goods Sold	—	252,864	—	252,864
Gross Profit	—	80,421	—	80,421
Equity in Earnings of Unconsolidated Joint Venture	9,507	9,507	(9,507)	9,507
Equity in Earnings of Subsidiaries	61,946	—	(61,946)	—
Corporate General and Administrative Expenses	(8,863)	(545)	—	(9,408)
Other Non-Operating Income	(43)	1,335	—	1,292
Interest Expense, net	(7,282)	(12)	—	(7,294)
Earnings before Income Taxes	55,265	90,706	(71,453)	74,518
Income Taxes	2,450	(19,253)	—	(16,803)
Net Earnings	\$57,715	\$ 71,453	\$ (71,453)	\$ 57,715
Net Earnings	\$57,715	\$ 71,453	\$ (71,453)	\$ 57,715
Net Actuarial Change in Benefit Plans, net of tax	56	56	(56)	56
Comprehensive Earnings	\$57,771	\$ 71,509	\$ (71,509)	\$ 57,771

Condensed Consolidating Statement of Earnings and

	Guarantor			
Comprehensive Earnings For the Three Months Ended December 31, 2017	Parent	Subsidiaries	Eliminations	Consolidated
Revenue	\$—	\$ 359,371	\$—	\$ 359,371
Cost of Goods Sold	—	264,805	—	264,805
Gross Profit	—	94,566	—	94,566
Equity in Earnings of Unconsolidated Joint Venture	11,372	11,372	(11,372)	11,372
Equity in Earnings of Subsidiaries	138,597	—	(138,597)	—
Corporate General and Administrative Expenses	(9,035)	(848)	—	(9,883)
Legal Settlements	(39,098)	—	—	(39,098)
Other Non-Operating Income	262	822	—	1,084
Interest Expense, net	(17,005)	10,352	—	(6,653)
Earnings before Income Taxes	85,093	116,264	(149,969)	51,388
Income Taxes	16,287	33,705	—	49,992
Net Earnings	\$101,380	\$ 149,969	\$ (149,969)	\$ 101,380

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Net Earnings	\$ 101,380	\$ 149,969	\$ (149,969)	101,380
Net Actuarial Change in Benefit Plans, net of tax	197	197	(197)	197
Comprehensive Earnings	\$ 101,577	\$ 150,166	\$ (150,166)	\$ 101,577

22

Condensed Consolidating Statement of Earnings and

Comprehensive Earnings For the Nine Months Ended December 31, 2018	Guarantor			
	Parent	Subsidiaries	Eliminations	Consolidated
Revenue	\$—	\$ 1,108,540	\$—	\$ 1,108,540
Cost of Goods Sold	—	838,554	—	838,554
Gross Profit	—	269,986	—	269,986
Equity in Earnings of Unconsolidated Joint Venture	28,931	28,931	(28,931)	28,931
Equity in Earnings of Subsidiaries	204,234	—	(204,234)	—
Corporate General and Administrative Expenses	(24,682)	(2,651)	—	(27,333)
Legal Settlements	—	(1,800)	—	(1,800)
Other Non-Operating Income	(262)	2,553	—	2,291
Interest Expense, net	(20,706)	(37)	—	(20,743)
Earnings before Income Taxes	187,515	296,982	(233,165)	251,332
Income Taxes	9,142	(63,817)	—	(54,675)
Net Earnings	\$ 196,657	\$ 233,165	\$ (233,165)	\$ 196,657
Net Earnings	\$ 196,657	\$ 233,165	\$ (233,165)	\$ 196,657
Net Actuarial Change in Benefit Plans, net of tax	168	168	(168)	168
Comprehensive Earnings	\$ 196,825	\$ 233,333	\$ (233,333)	\$ 196,825

Condensed Consolidating Statement of Earnings and

Comprehensive Earnings For the Nine Months Ended December 31, 2017	Guarantor			
	Parent	Subsidiaries	Eliminations	Consolidated
Revenue	\$—	\$ 1,101,807	\$—	\$ 1,101,807
Cost of Goods Sold	—	824,428	—	824,428
Gross Profit	—	277,379	—	277,379
Equity in Earnings of Unconsolidated Joint Venture	33,203	33,203	(33,203)	33,203
Equity in Earnings of Subsidiaries	261,389	—	(261,389)	—
Corporate General and Administrative Expenses	(26,861)	(2,522)	—	(29,383)
Legal Settlements	(39,098)	—	—	(39,098)
Other Non-Operating Income	(84)	2,812	—	2,728
Interest Expense, net	(43,800)	22,208	—	(21,592)
Earnings before Income Taxes	184,749	333,080	(294,592)	223,237
Income Taxes	34,875	(38,488)	—	(3,613)
Net Earnings	\$ 219,624	\$ 294,592	\$ (294,592)	\$ 219,624
Net Earnings	\$ 219,624	\$ 294,592	\$ (294,592)	\$ 219,624
Net Actuarial Change in Benefit Plans, net of tax	591	591	(591)	591
Comprehensive Earnings	\$ 220,215	\$ 295,183	\$ (295,183)	\$ 220,215

Condensed Consolidating Balance Sheet At December 31, 2018	Guarantor			Consolidated
	Parent	Subsidiaries	Eliminations	
ASSETS				
Current Assets -				
Cash and Cash Equivalents	\$15,502	1,558	\$—	\$17,060
Accounts and Notes Receivable	453	133,420	—	133,873
Inventories	—	251,260	—	251,260
Income Tax Receivable	314	—	—	314
Prepaid and Other Current Assets	1,075	5,891	—	6,966
Total Current Assets	17,344	392,129	—	409,473
Property, Plant, and Equipment -	7,310	2,651,838	—	2,659,148
Less: Accumulated Depreciation	(369)	(1,031,627)	—	(1,031,996)
Property, Plant and Equipment, net	6,941	1,620,211	—	1,627,152
Notes Receivable	—	3,022	—	3,022
Investment in Joint Venture	70	61,918	—	61,988
Investments in Subsidiaries and Receivables from Affiliates	2,476,986	423,525	(2,900,511)	—
Goodwill and Intangible Assets, net	—	236,936	—	236,936
Other Assets	4,311	12,534	—	16,845
	\$2,505,652	\$2,750,275	\$(2,900,511)	\$2,355,416
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current Liabilities-				
Accounts Payable	\$6,490	\$71,121	\$—	\$77,611
Accrued Liabilities	24,096	42,825	—	66,921
Current Portion of Long-term Debt	36,500	—	—	36,500
Total Current Liabilities	67,086	113,946	—	181,032
Long-term Debt	589,924	—	—	589,924
Other Long-term Liabilities	11	30,543	—	30,554
Payables to Affiliates	423,525	5,768,625	(6,192,150)	—
Deferred Income Taxes	4,769	128,800	—	133,569
Total Liabilities	1,085,315	6,041,914	(6,192,150)	935,079
Total Stockholders' Equity	1,420,337	(3,291,639)	3,291,639	1,420,337
	\$2,505,652	\$2,750,275	\$(2,900,511)	\$2,355,416

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Condensed Consolidating Balance Sheet At March 31, 2018	Guarantor			
	Parent	Subsidiaries	Eliminations	Consolidated
ASSETS				
Current Assets -				
Cash and Cash Equivalents	\$5,784	\$3,531	\$—	\$ 9,315
Restricted Cash	38,753	—	—	38,753
Accounts and Notes Receivable	407	141,278	—	141,685
Inventories	—	258,159	—	258,159
Income Tax Receivable	109,510	—	(103,760)	5,750
Prepaid and Other Current Assets	665	4,408	—	5,073
Total Current Assets	155,119	407,376	(103,760)	458,735
Property, Plant, and Equipment -	3,188	2,583,340	—	2,586,528
Less: Accumulated Depreciation	(1,089)	(990,140)	—	(991,229)
Property, Plant and Equipment, net	2,099	1,593,200	—	1,595,299
Notes Receivable	—	115	—	115
Investment in Joint Venture	70	60,488	—	60,558
Investments in Subsidiaries and Receivables from Affiliates	2,718,809	762,340	(3,481,149)	—
Goodwill and Intangible Assets, net	—	239,342	—	239,342
Other Assets	5,417	8,537	—	13,954
	\$2,881,514	\$3,071,398	\$(3,584,909)	\$ 2,368,003
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current Liabilities-				
Accounts Payable	\$5,591	\$67,868	\$—	\$ 73,459
Accrued Liabilities	67,387	38,483	—	105,870
Income Tax Payable	—	103,760	(103,760)	—
Total Current Liabilities	72,978	210,111	(103,760)	179,329
Long-term Debt	620,922	—	—	620,922
Other Long-term Liabilities	124	30,972	—	31,096
Payables to Affiliates	762,340	5,608,236	(6,370,576)	—
Deferred Income Taxes	7,460	111,506	—	118,966
Total Liabilities	1,463,824	5,960,825	(6,474,336)	950,313
Total Stockholders' Equity	1,417,690	(2,889,427)	2,889,427	1,417,690
	\$2,881,514	\$3,071,398	\$(3,584,909)	\$ 2,368,003

Condensed Consolidating Statement of Cash Flows	Guarantor			
	Parent	Subsidiaries	Eliminations	Consolidated
For the Nine Months Ended December 31, 2018				
CASH FLOWS FROM OPERATING ACTIVITIES				
Net Cash Provided by (Used in) Operating Activities	\$(68,752)	\$ 362,852	\$ —	\$ 294,100
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to Property, Plant, and Equipment	(5,023)	(121,423)	—	(126,446)
Proceeds from Sale of Property, Plant, and Equipment	—	2,281	—	2,281
Net Cash Used in Investing Activities	(5,023)	(119,142)	—	(124,165)
CASH FLOWS FROM FINANCING ACTIVITIES				
Increase in Credit Facility	5,000	—	—	5,000
Dividends Paid to Stockholders	(14,293)	—	—	(14,293)
Purchase and Retirement of Common Stock	(191,800)	—	—	(191,800)

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Proceeds from Stock Option Exercises	1,992	—	—	1,992
Shares Redeemed to Settle Employee Taxes on				
Stock Compensation	(1,842)	—	—	(1,842)
Intra-entity Activity, net	245,683	(245,683)	—	—
Net Cash Provided by (Used in) Financing Activities	44,740	(245,683)	—	(200,943)
NET INCREASE IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH	(29,035)	(1,973)	—	(31,008)
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AT BEGINNING OF PERIOD	44,537	3,531	—	48,068
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AT END OF PERIOD	\$15,502	\$ 1,558	\$ —	\$ 17,060

Condensed Consolidating Statement of Cash Flows	Guarantor			
For the Nine Months Ended December 31, 2017	Parent	Subsidiaries	Eliminations	Consolidated
CASH FLOWS FROM OPERATING ACTIVITIES				
Net Cash Provided by (Used in) Operating Activities	\$981	\$ 274,159	\$ —	\$ 275,140
CASH FLOWS FROM INVESTING ACTIVITIES				
Property, Plant, and Equipment Additions	(142)	(83,556)	—	(83,698)
Acquisition Spending	—	(36,761)	—	(36,761)
Net Cash Used in Investing Activities	(142)	(120,317)	—	(120,459)
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of Credit Facility	(40,000)	—	—	(40,000)
Repayment of Private Placement Senior Unsecured Notes	(81,214)	—	—	(81,214)
Dividends Paid to Stockholders	(14,571)	—	—	(14,571)
Purchase and Retirement of Common Stock	(24,903)	—	—	(24,903)
Proceeds from Stock Option Exercises	23,729	—	—	23,729
Shares Redeemed to Settle Employee Taxes on				
Stock Compensation	(2,607)	—	—	(2,607)
Intra-entity Activity, net	151,621	(151,621)	—	—
Net Cash Provided by (Used in) Financing Activities	12,055	(151,621)	—	(139,566)
NET INCREASE IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH	12,894	2,221	—	15,115
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AT BEGINNING OF PERIOD	5,184	1,377	—	6,561
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AT END OF PERIOD	\$18,078	\$ 3,598	\$ —	\$ 21,676

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

EXECUTIVE SUMMARY

Eagle Materials Inc. is a leading supplier of heavy construction materials, light building materials, and materials used for oil and natural gas extraction in the United States. Our products are used in commercial and residential construction; public construction projects; projects to build, expand, and repair roads and highways; and in oil and natural gas extraction.

Our business is organized into three sectors: Heavy Materials, which includes the Cement and Concrete and Aggregates segments; Light Materials, which includes the Gypsum Wallboard and Recycled Paperboard segments; and Oil and Gas Proppants, which are used in oil and natural gas exploration and extraction. Financial results and other information for the three and nine months ended December 31, 2018 and 2017, respectively, are presented on a consolidated basis and by these business segments – Cement, Concrete and Aggregates, Gypsum Wallboard, Recycled Paperboard, and Oil and Gas Proppants. During the quarter ended December 31, 2018, we changed our segment presentation to reflect the reorganization of our Oil and Gas Proppants and frac sand distribution businesses. Under this reorganization, the distribution business became a division of the Oil and Gas Proppants business. The operations of the frac sand distribution business have been reported in the Other segment since we acquired the business in fiscal 2018. We have adjusted the prior period segment presentation to reflect this change for comparative purposes.

We conduct one of our cement operations through a joint venture, Texas Lehigh Cement Company LP, which is located in Buda, Texas (the Joint Venture). We own a 50% interest in the Joint Venture and account for our interest under the equity method of accounting. We proportionately consolidate our 50% share of the Joint Venture's Revenue and Operating Earnings in the presentation of our Cement segment, which is the way management organizes the segments within the Company for making operating decisions and assessing performance.

Our business activities are all conducted in the U.S. These activities include the mining of limestone for the manufacture, production, distribution, and sale of portland cement (a basic construction material that is the essential binding ingredient in concrete); the grinding and sale of slag; the mining of gypsum for the manufacture and sale of gypsum wallboard; the manufacture and sale of recycled paperboard to the gypsum wallboard industry and other paperboard converters; the sale of readymix concrete; the mining and sale of aggregates (crushed stone, sand, and gravel); and the mining, sale, and distribution of sand used in hydraulic fracturing (frac sand).

Demand for our products is generally cyclical and seasonal, depending on economic and geographic conditions. We distribute our products throughout most of the United States, except the Northeast, which provides us with regional economic diversification. However, general economic downturns or localized downturns in the regions where we have operations may have a material adverse effect on our business, financial condition, and results of operations.

On July 27, 2017, we acquired all of the outstanding equity interests in Wildcat Minerals LLC (the Wildcat Acquisition). Wildcat Minerals LLC operates transload facilities serving the oil and gas industry in several oil and gas basins across the United States. The purchase price of the Wildcat Acquisition was approximately \$36.8 million, and the results of the operations of Wildcat Minerals are included in our results for the period from July 27, 2017 through March 31, 2018, and for the nine months ended December 31, 2018.

MARKET CONDITIONS AND OUTLOOK

The outlook for calendar 2019 continues to be positive as the basic underlying fundamentals of low unemployment, low interest rates and higher wages remain favorable. We believe these factors should positively affect both our Heavy and Light Materials sectors, comprising the Cement, Concrete and Aggregates, Gypsum Wallboard, and Recycled Paperboard segments.

Our cement sales network stretches across the central U.S., both east to west and north to south. Adjusting for the effects of unusually wet weather in calendar 2018, demand for cement in most of our markets improved compared with last year. In addition to weather, cement and concrete and aggregates markets are affected by infrastructure spending, residential home building, and industrial construction activity.

Our primary gypsum wallboard sales network stretches across the southern half of the United States, consistent with our facility network. Wallboard demand is heavily influenced by new residential housing construction as well as repair and remodeling activity. Our Recycled Paperboard business primarily sells paper into the gypsum wallboard market and demand for paper will generally follow the demand for gypsum wallboard. The primary raw material for the paperboard business is OCC, and our outlook for fiscal 2020 is for OCC prices to remain consistent with those in fiscal 2019.

Sales volume and sales prices for our frac sand products were negatively affected by weakness in completion activity, which was greater than anticipated, and the typical seasonal slowdown. We continue to analyze our cost structure and will right size the business given the current near-term challenges and, if necessary, also evaluate the recoverability of our long-lived assets. We expect these conditions to persist into calendar 2019.

During the early part of calendar 2018, railway and trucking congestion delayed some shipments of our finished products and increased the cost of moving our products. Because of the high freight utilization, we experienced an increase in freight costs of approximately 10% to 12% in the first three quarters of fiscal 2019. The increased freight costs have primarily affected our Cement, Wallboard, and Oil and Gas Proppants segments for outbound products and has increased the cost of inbound raw materials in all segments.

RESULTS OF OPERATIONS

THREE AND nine MONTHS ENDED December 31, 2018 Compared with THREE AND nine MONTHS ENDED december 31, 2017

	For the Three Months Ended December 31,			For the Nine Months Ended December 31,			Change	
	2018	2017	Change	2018	2017	Change		
	(in thousands, except per share)							
Revenue	\$333,285	\$359,371	(7)%	\$1,108,540	\$1,101,807	1	%	
Cost of Goods Sold	(252,864)	(264,805)	(5)%	(838,554)	(824,428)	2	%	
Gross Profit	80,421	94,566	(15)%	269,986	277,379	(3)	%	
Equity in Earnings of Unconsolidated Joint Venture	9,507	11,372	(16)%	28,931	33,203	(13)	%	
Corporate General and Administrative Litigation Settlements and Losses	(9,408)	(9,883)	(5)%	(27,333)	(29,383)	(7)	%	
Other Non-Operating Income	—	(39,098)	(100)%	(1,800)	(39,098)	(95)	%	
	1,292	1,084	19 %	2,291	2,728	(16)	%	

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Interest Expense, net	(7,294)	(6,653)	10 %	(20,743)	(21,592)	(4)%
Earnings Before Income Taxes	74,518	51,388	45 %	251,332	223,237	13 %
Income Tax Benefit (Expense)	(16,803)	49,992	(134)%	(54,675)	(3,613)	1413 %
Net Earnings	\$57,715	\$101,380	(43)%	\$196,657	\$219,624	(10)%
Diluted Earnings per Share	\$1.24	\$2.08	(40)%	\$4.15	\$4.52	(8)%

REVENUE

Revenue declined by \$26.1 million, or 7%, to \$333.3 million for the three months ended December 31, 2018. The decrease in Revenue was primarily due to decreases in both Average Net Sales Prices and Sales Volume of \$3.9 million and \$22.2 million, respectively.

Revenue increased by \$6.7 million, or 1%, to \$1,108.5 million for the nine months ended December 31, 2018. Revenue from the Wildcat Acquisition positively affected Revenue by approximately \$10.3 million. Excluding Revenue from the Wildcat Acquisition, Revenue declined approximately \$3.6 million, primarily because of a decrease in Sales Volume of approximately \$33.7 million, partially offset by increased Average Net Sales Prices of approximately \$30.1 million.

COST OF GOODS SOLD

Cost of Goods Sold decreased by \$11.9 million, or 5%, to \$252.9 million for the three months ended December 31, 2018. The decrease was related to lower Sales Volume, which reduced Cost of Goods Sold by approximately \$21.2 million, partially offset by increased operating costs of approximately \$9.3 million. The increase in operating costs was related to all of our segments except Recycled Paperboard.

Cost of Goods Sold increased by \$14.2 million, or 2%, to \$838.6 million for the nine months ended December 31, 2018. Approximately \$9.9 million of the increase was related to the Wildcat Acquisition. The remaining increase was related to higher operating costs, which raised Cost of Goods Sold by approximately \$19.1 million, partially offset by lower Sale Volume of approximately \$14.8 million. The increase in operating costs was related to all of our segments except Recycled Paperboard.

GROSS PROFIT

Gross Profit decreased 15% to \$80.4 million during the three months ended December 31, 2018. The decrease in Gross Profit was primarily related to decreased Sales Volume and Average Net Sales Prices, and increased operating costs, as noted above. The gross margin decreased to 24%, primarily because of the increase in operating costs and decrease in Average Net Sales Prices.

Gross Profit decreased 3% to \$270.0 million during the nine months ended December 31, 2018. Approximately \$0.4 million of Gross Profit was attributable to the Wildcat Acquisition. The decrease in Gross Profit was primarily related to the increase in operating costs and decrease in Sales Volume, partially offset by increased Average Net Sales Prices costs. The gross margin decreased to 24%, primarily because of the increase in operating costs.

EQUITY IN EARNINGS OF UNCONSOLIDATED JOINT VENTURE

Equity in Earnings of our Unconsolidated Joint Venture decreased \$1.9 million, or 16%, for the three months ended December 31, 2018. The decrease was primarily due to lower Average Net Sales Prices and increased operating costs, which reduced Operating Earnings by approximately \$0.4 million and \$1.6 million, respectively. The increase in operating costs was primarily due to freight and maintenance, which rose by approximately \$0.6 million and \$1.0 million, respectively.

Equity in Earnings of our Unconsolidated Joint Venture decreased \$4.3 million, or 13%, for the nine months ended December 31, 2018. The decrease was primarily due to lower Sales Volume and increased operating costs, which reduced Operating Earnings by approximately \$0.7 million, and \$3.6 million, respectively. The increase in operating costs was primarily due to freight, terminal costs and energy, which rose by approximately \$1.9 million, \$0.4 million

and \$0.4 million, respectively.

CORPORATE GENERAL AND ADMINISTRATIVE

Corporate General and Administrative expenses declined approximately \$0.5 million, or 5%, for the three months ended December 31, 2018. The decrease was due primarily to lower legal expenses of approximately \$0.3 million.

Corporate General and Administrative expenses declined approximately \$2.1 million, or 7%, for the nine months ended December 31, 2018. The decrease was due primarily to the reduction of approximately \$0.5 million in salary and incentive compensation and a \$1.5 million decline in legal expenses.

LITIGATION SETTLEMENTS AND LOSSES

Litigation Settlements and Losses for fiscal 2019 pertain to third-party property damage which occurred several years ago related to our Recycled Paperboard business. The loss in fiscal 2018 relates to the settlement of the Domestic Wallboard Antitrust Litigation, as described in Footnote (O) in the Notes to Unaudited Consolidated Financial Statements.

OTHER NON-OPERATING INCOME

Other Non-operating Income consists of a variety of items that are unrelated to segment operations and include non-inventoried aggregates income, Gypsum Wallboard distribution center income, asset sales, and other miscellaneous income and cost items.

INTEREST EXPENSE, NET

Interest Expense, net, increased approximately \$0.6 million, or 10%, during the three months ended December 31, 2018. The increase in Interest Expense, net was due primarily to higher interest expense related to our Credit Facility of approximately \$1.0 million, partially offset by lower interest on our Private Placement Senior Unsecured Notes of approximately \$0.4 million. The increase in interest related to the Credit Facility was due primarily to higher average outstanding balances because of payment of the maturing Private Placement Senior Unsecured Notes. The decrease in interest related to the Private Placement Senior Unsecured Notes was due to the maturing of approximately \$81.2 million during October and November 2017.

Interest Expense, net, decreased approximately \$0.9 million, or 4%, during the nine months ended December 31, 2018. The reduction in Interest Expense, net was due primarily to lower interest on our Private Placement Senior Unsecured Notes of approximately \$2.7 million, and the capitalization of approximately \$0.9 million related to the build-out of our Utica, Illinois frac sand facility. These reductions were partially offset by an increase in interest expense related to our Credit Facility of approximately \$2.9 million. The decrease in interest related to the Private Placement Senior Unsecured Notes was due to the maturing of approximately \$81.2 million during October and November 2017. The increase in interest related to the Credit Facility was due primarily to higher average outstanding balances because of payment of the maturing Private Placement Senior Unsecured Notes.

EARNINGS BEFORE INCOME TAXES

Earnings Before Income Taxes increased to \$74.5 million during the three months ended December 31, 2018, primarily because of lower Litigation Settlements and Losses and Corporate General and Administrative Expense, partially offset by lower Gross Profit and Equity in Earnings of Unconsolidated Joint Venture and increased Interest Expense.

Earnings Before Income Taxes increased to \$251.3 million during the nine months ended December 31, 2018, primarily because of lower Litigation Settlements and Losses and Corporate General and Administrative Expense, partially offset by lower Gross Profit and Equity in Earnings of Unconsolidated Joint Venture.

INCOME TAX EXPENSE

Income Tax Expense increased to \$16.8 million for the three months ended December 31, 2018, compared with an Income Tax Benefit of \$50.0 million in the prior-year period, primarily because of the Tax Cuts and Jobs Act, which reduced corporate income tax rates from 35% to 21% beginning January 1, 2018. The adoption of the Tax Cuts and Jobs Act in the three months ended December 31, 2017 resulted in a discrete income tax benefit related to the change in corporate tax rates that reduced our deferred tax liabilities by approximately \$61.0 million.

Income Tax Expense increased to \$54.7 million for the nine months ended December 31, 2018, compared with \$3.6 million in the prior-year period. The increase was primarily due to the Tax Cuts and Jobs Act, which reduced corporate income tax rates from 35% to 21% beginning January 1, 2018. This resulted in a discrete income tax benefit related to the change in corporate tax rates that reduced our deferred tax liabilities by approximately \$61.0 million in fiscal 2018.

NET EARNINGS AND DILUTED EARNINGS PER SHARE

Net Earnings decreased 43% to \$57.7 million for the three months ended December 31, 2018. Diluted Earnings per Share decreased 40% to \$1.24 per share.

Net Earnings decreased 10% to \$196.7 million for the nine months ended December 31, 2018. Diluted Earnings per Share increased 8% to \$4.15 per share.

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The following table highlights certain operating information related to our business segments:

THREE and nine MONTHS ENDED december 31, 2018 Compared with THREE and nine MONTHS ENDED december 31, 2017

	For the Three Months Ended December 31,			For the Nine Months Ended December 31,		
	2018	2017	Change	2018	2017	Change
	(in thousands, except net sales prices)					
Revenue ⁽¹⁾						
Cement ⁽²⁾	\$ 163,732	\$ 161,601	1 %	\$ 543,681	\$ 536,186	1 %
Concrete and Aggregates	30,841	38,742	(20) %	111,425	126,092	(12) %
Gypsum Wallboard	130,954	133,348	(2) %	402,978	383,229	5 %
Recycled Paperboard	39,638	48,389	(18) %	126,048	138,161	(9) %
Oil and Gas Proppants	14,100	26,392	(47) %	65,266	67,324	(3) %
Gross Revenue	379,265	408,472	(7) %	1,249,398	1,250,992	—
Less: Inter-Segment Revenue	(20,611)	(23,575)	(13) %	(62,746)	(69,489)	(10) %
Less: Joint Venture Revenue	(25,369)	(25,526)	(1) %	(78,112)	(79,696)	(2) %
Net Revenue	\$ 333,285	\$ 359,371	(7) %	\$ 1,108,540	\$ 1,101,807	1 %
Sales Volume						
Cement (M Tons) ⁽²⁾	1,344	1,339	—	4,412	4,420	—
Concrete (M Yards)	237	303	(22) %	846	993	(15) %
Aggregates (M Tons)	747	820	(9) %	2,616	2,764	(5) %
Gypsum Wallboard (MMSF)	653	709	(8) %	1,992	2,014	(1) %
Recycled Paperboard (M Tons)	74	81	(9) %	235	239	(2) %
Frac Sand (M Tons)	365	379	(4) %	1,129	1,083	4 %
Average Net Sales Prices ⁽³⁾						
Cement ⁽²⁾	\$ 107.54	\$ 106.83	1 %	\$ 107.94	\$ 106.91	1 %
Concrete	102.94	100.71	2 %	102.72	100.06	3 %
Aggregates	8.68	9.68	(10) %	9.30	9.37	(1) %
Gypsum Wallboard	159.38	151.13	5 %	161.63	154.52	5 %
Recycled Paperboard	519.29	581.95	(11) %	520.02	564.46	(8) %
Operating Earnings (Loss)						
Cement ⁽²⁾	\$ 47,197	\$ 52,523	(10) %	\$ 142,078	\$ 154,456	(8) %
Concrete and Aggregates	1,037	3,414	(70) %	10,621	15,054	(29) %
Gypsum Wallboard	43,543	39,841	9 %	139,694	123,237	13 %
Recycled Paperboard	7,475	10,903	(31) %	26,078	22,358	17 %
Oil and Gas Proppants	(9,324)	(743)	(1155) %	(19,554)	(4,523)	(332) %
Net Operating Earnings	\$ 89,928	\$ 105,938	(15) %	\$ 298,917	\$ 310,582	(4) %

(1)Gross revenue, before freight and delivery costs.

(2)Includes proportionate share of our Joint Venture.

(3)Net of freight and delivery costs.

CEMENT

Cement Revenue was \$163.7 million, a 1% increase, for the three months ended December 31, 2018. The increase was primarily due to a 1% increase in Average Net Sales Prices and a slight increase in Sales Volume, which improved Cement Revenue by approximately \$1.5 million and \$0.6 million, respectively.

Cement Operating Earnings declined 10% to \$47.2 million for the three months ended December 31, 2018. The decrease was due primarily to increased operating costs, which reduced Operating Earnings by approximately \$7.1 million, partially offset by increased Average Net Sales Prices and Sales Volume of approximately \$1.5 million and \$0.3 million, respectively. The increase in operating costs was due primarily to higher maintenance, freight and energy costs of approximately \$3.5 million, \$1.4 million, and \$0.9 million, respectively. The increase in maintenance was due primarily to two outages and the installation of upgraded emissions control equipment at

certain of our cement plants. The operating margin fell to 29% from 33%, primarily because of increased operating costs, partially offset by the increase in Average Net Sales Prices.

Cement Revenue was \$543.7 million, a 1% increase, for the nine months ended December 31, 2018. The increase was primarily due to a 1% increase in Average Net Sales Prices, which improved Cement Revenue by approximately \$8.4 million, partially offset by lower Sales Volume which negatively affected Revenue by approximately \$0.9 million.

Cement Operating Earnings declined 8% to \$142.1 million for the nine months ended December 31, 2018. The decrease was due primarily to increased operating costs and lower Sales Volume, which reduced Operating Earnings by approximately \$20.3 million and \$0.5 million, respectively, partially offset by increased Average Net Sales Prices of approximately \$8.4 million. The increase in operating costs was due primarily to increased maintenance, freight, and energy costs of approximately \$10.1 million, \$6.0 million, and \$3.7 million, respectively. The increase in maintenance costs was due to timing of the annual maintenance outage at our Fairborn Cement plant. We performed an outage at Fairborn after our purchase of the plant in March 2017, therefore there was no outage in the nine months ended December 31, 2017. Additionally, we experienced two outages and we installed upgraded emissions control equipment at certain of our cement plants in the third quarter of fiscal 2019. The operating margin fell to 26% from 29%, primarily because of increased operating costs, partially offset by the increase in Average Net Sales Prices.

CONCRETE AND AGGREGATES

Concrete and Aggregates Revenue decreased 20% to \$30.8 million for the three months ended December 31, 2018. The primary reasons for the decrease in Revenue were the reduction in Sales Volume for concrete and aggregates of 22% and 9%, respectively, which adversely affected Revenue by approximately \$7.3 million and a 10% reduction in Average Net Sales Prices for Aggregates, which reduced Revenue by approximately \$1.0 million. This was partially offset by a 2% increase in Average Net Sales Prices for concrete, which positively affected Revenue by approximately \$0.4 million.

Operating Earnings declined 70% to approximately \$1.0 million. The decline resulted from increased operating costs, lower Average Net Sales Prices and lower Sales Volume, which depressed Operating Earnings by approximately \$1.3 million, \$0.6 million and \$0.5 million, respectively. The increase in operating costs was primarily due to higher cost of materials of approximately \$1.4 million.

Concrete and Aggregates Revenue decreased 12% to \$111.4 million for the nine months ended December 31, 2018. The primary reasons for the decrease in Revenue were the reduction in Sales Volume for concrete and aggregates of 15% and 5%, respectively, which adversely affected Revenue by approximately \$16.1 million and a 1% reduction in Average Net Sales Prices for Aggregates, which reduced Revenue by approximately \$0.8 million. This was partially offset by a 3% increase in Average Net Sales Prices for concrete, which positively affected Revenue by approximately \$2.2 million.

Operating Earnings declined 29% to approximately \$10.6 million. The decline resulted from increased operating costs and lower Sales Volume, which reduced Operating Earnings by approximately \$4.1 million and \$1.7 million, respectively. This decrease was partially offset by increased Average Net Sales Prices of approximately \$1.3 million. The increase in operating costs was primarily due to higher cost of materials and delivery of approximately \$3.7 million and \$0.5 million, respectively.

GYPSUM WALLBOARD

Gypsum Wallboard Revenue decreased 2% to \$131.0 million for the three months ended December 31, 2018, primarily because of an 8% decline in Sales Volume. The decline in Sales Volume negatively affected Revenue by

approximately \$10.5 million, partially offset by an increase in gross sales prices which positively affected Revenue by approximately \$8.1 million. Our market share was essentially unchanged during the fiscal third quarter.

Operating Earnings increased 9% to \$43.5 million, primarily as a result of the increase in gross sales prices, which positively affected Operating Earnings by approximately \$8.1 million. These increases were partially offset by lower Sales Volume and increased operating costs of approximately \$3.1 million and \$1.3 million, respectively. The decline in Sales Volume was due to a shift in the timing of pre-buy activity ahead of our winter wallboard price increase. In the prior year, our price increase was scheduled for early January; therefore, pre-buy activity increased December 2017 shipments. The operating margin increased to 33%, primarily because of higher gross sales prices. The increase in operating costs was primarily related to freight, which raised operating costs by approximately \$2.6 million, partially offset by decreased other production costs, primarily raw materials, of approximately \$1.3 million. Fixed costs are not a significant part of the overall cost of wallboard; therefore, changes in utilization have a relatively minor impact on our operating cost per unit.

Gypsum Wallboard Revenue increased 5% to \$403.0 million for the nine months ended December 31, 2018, as a result of an increase in gross sales prices. The increase in gross sales prices positively affected Revenue by approximately \$23.9 million, partially offset by a decline in Sales Volume which negatively affected Revenue by approximately \$4.1 million. Our market share was essentially unchanged during the nine-month period.

Operating Earnings increased 13% to \$139.7 million, primarily because of the increase in gross sales prices, which positively affected Operating Earnings by approximately \$23.9 million. These increases were partially offset by lower Sales Volume and increased operating costs of approximately \$1.3 million and \$6.1 million, respectively. The increase in operating costs was primarily related to freight, which raised operating costs by approximately \$9.6 million, partially offset by decreased other production costs of approximately \$3.6 million. The operating margin increased to 35%, primarily as a result of higher gross sales prices, partially offset by increased operating costs. Fixed costs are not a significant part of the overall cost of wallboard; therefore, changes in utilization have a relatively minor impact on our operating cost per unit.

RECYCLED PAPERBOARD

Recycled Paperboard Revenue decreased 18% to \$39.6 million during the three months ended December 31, 2018. The decrease in Revenue was due to lower Average Net Sales Prices and Sales Volume, which adversely affected Revenue by approximately \$4.5 million and \$4.3 million, respectively. The decrease in Average Net Sales Prices was due to the pricing provisions in our long-term sales agreements, which are tied to input costs.

Operating Earnings decreased 31% to \$7.5 million, primarily as a result of lower Average Net Sales Prices and Sales Volume, which negatively affected Operating Earnings by approximately \$4.5 million and \$1.0 million, respectively, partially offset by lower operating costs, which positively affected Operating Earnings by approximately \$2.0 million. The decrease in operating costs was primarily related to lower input costs, mainly recycled fiber, which positively affected Operating Earnings by approximately \$2.1 million, partially offset by increased freight costs of approximately \$0.3 million. Operating margin decreased to 19% from 23%, primarily because of lower Average Net Sales Prices, partially offset by lower operating costs.

Recycled Paperboard Revenue decreased 9% to \$126.0 million during the nine months ended December 31, 2018. The decrease in Revenue was due to lower in Average Net Sales Prices and Sales Volume, which adversely affected Revenue by approximately \$9.7 million and \$2.5 million, respectively. The decrease in Average Net Sales Prices was due to the pricing provisions in our long-term sales agreements, which are tied to input costs.

Operating Earnings increased 17% to \$26.1 million, primarily because of lower operating costs, which positively affected Operating Earnings by approximately \$13.6 million. This increase was partially offset by lower Average Net Sales Prices and Sales Volume of approximately \$9.7 million and \$0.4 million, respectively. The decrease in operating costs was primarily related to lower input costs, which positively affected Operating Earnings by

approximately \$14.4 million, partially offset by increased freight costs of \$1.2 million. Operating margin increased to 21% from 16%, primarily because of lower operating costs, partially offset by lower Average Net Sales Prices.

OIL AND GAS PROPPANTS

Revenue from our Oil and Gas Proppants segment decreased 47% to approximately \$14.1 million during the three months ended December 31, 2018. The decrease in Revenue was primarily due to lower gross sales prices and Sales Volume, which negatively affected Revenue by approximately \$9.6 million and \$2.7 million, respectively.

Operating Loss for the quarter increased to approximately \$9.3 million, primarily as a result of lower gross sales prices, which increased the operating loss by approximately \$9.6 million, partially offset by lower operating costs of approximately \$1.0 million. The decrease in operating cost was primarily due to decreased freight and contract mining, which reduced operating costs by approximately \$3.6 million and \$0.6 million, respectively. This was partially offset by increased depreciation of the new drying facility in Utica, Illinois, leasing costs for rail cars, and fixed costs, which increased Operating Loss by approximately \$0.7 million, \$1.3 million, and \$1.5 million, respectively.

Revenue from our Oil and Gas Proppants segment declined 3% to approximately \$65.3 million during the nine months ended December 31, 2018. Revenue from the Wildcat Acquisition positively affected Revenue by approximately \$10.3 million. Excluding Revenue from the Wildcat Acquisition, Revenue decreased \$12.3 million, primarily because of lower gross sales prices, which negatively affected Revenue by approximately \$15.2 million, partially offset by an increase in Sales Volume, which positively affected Revenue by \$2.9 million.

Operating Loss for the quarter increased 332% to approximately \$19.6 million. Included in the Operating Loss is approximately \$0.4 million Operating Earnings from the Wildcat Acquisition. Excluding the start-up costs at Utica of approximately \$1.6 million and the Operating Earnings from the Wildcat Acquisition, Operating Loss would have been approximately \$18.4 million. The increase in Operating Loss was due primarily to reduced gross sales price of approximately \$15.2 million, partially offset by lower operating costs of approximately \$1.3 million. The decrease in operating costs is primarily due to lower freight costs of approximately \$7.3 million, partially offset by increased leasing costs for rail cars and fixed costs, which increased Operating Loss by approximately \$2.4 million and \$3.5 million, respectively.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in accordance with accounting principles generally accepted in the United States requires management to adopt accounting policies and make significant judgments and estimates to develop amounts reflected and disclosed in the financial statements. In many cases, there are alternative policies or estimation techniques that could be used. We maintain a thorough process to review the application of our accounting policies and to evaluate the appropriateness of the many estimates that are required to prepare our financial statements. However, even under optimal circumstances, estimates routinely require adjustment based on changing circumstances and the receipt of new or better information.

Information regarding our “Critical Accounting Policies” can be found in our Annual Report. The four critical accounting policies that we believe either require the use of the most judgment, or the selection or application of alternative accounting policies, and are material to our financial statements, are those relating to long-lived assets, goodwill, income taxes, and business combinations. Management has discussed the development and selection of these critical accounting policies and estimates with the Audit Committee of our Board of Directors and with our independent registered public accounting firm. In addition, Note (A) to the financial statements in our Annual Report contains a summary of our significant accounting policies.

Recent Accounting Pronouncements

Refer to Footnote (A) in the Notes to Unaudited Consolidated Financial Statements of this Form 10-Q for information regarding recently issued accounting pronouncements that may affect our financial statements.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flow

The following table provides a summary of our cash flows:

	For the Nine Months Ended December 31,	
	2018	2017
	(dollars in thousands)	
Net Cash Provided by Operating Activities	\$294,100	\$275,140
Investing Activities:		
Additions to Property, Plant, and Equipment	(126,446)	(83,698)
Acquisition Spending	—	(36,761)
Proceeds from Sale of Property, Plant, and Equipment	2,281	—
Net Cash Used in Investing Activities	(124,165)	(120,459)
Financing Activities:		
Increase (Decrease) in Credit Facility	5,000	(40,000)
Repayment of Unsecured Private Placement Senior Notes	—	(81,214)
Dividends Paid to Stockholders	(14,293)	(14,571)
Purchase and Retirement of Common Stock	(191,800)	(24,903)
Proceeds from Stock Option Exercises	1,992	23,729
Shares Redeemed to Settle Employee Taxes on Stock Compensation	(1,842)	(2,607)
Net Cash Provided by (Used in) Financing Activities	(200,943)	(139,566)
Net Increase in Cash, Cash Equivalents, and Restricted Cash	\$(31,008)	\$15,115

Cash flows from operating activities increased \$19.0 million to \$294.1 million during the nine months ended December 31, 2018. This increase was primarily attributable to higher dividends from our Joint Venture and an increase in adjustments from noncash activity, which positively affected cash flows by approximately \$1.0 million and \$73.6 million, respectively, partially offset by a reduction in Operating Earnings and cash flows from changes in working capital of approximately \$22.9 million and \$32.7 million, respectively.

Working capital decreased \$51.0 million to \$228.4 million at December 31, 2018, primarily as a result of lower Restricted Cash, Accounts and Notes Receivable, Inventories, Income Tax Receivable and Current Portion of Long-term Debt of approximately \$38.8 million, \$8.7 million, \$6.9 million, \$5.5 million, and \$36.5 million, respectively. This was partially offset by increased Cash and decreased Accrued Liabilities of approximately \$7.8 million and \$39.0 million, respectively. The decrease in Accounts and Notes Receivable was due to lower Revenue during the quarter, and the increase in Current Portion of Long-term Debt was due to the maturity of the last tranche of our Private Placement Senior Unsecured Notes. The decrease in Restricted Cash and Accrued Liabilities occurred because of the payment of the settlement of the Direct Purchaser and Homebuilder antitrust cases.

The decrease in Accounts and Notes Receivable at December 31, 2018 was primarily due to the timing of sales and collections during the three months ended December 31, 2018 compared with the three months ended March 31, 2018. As a percentage of quarterly sales generated for the respective quarter, Accounts and Notes Receivable was approximately 40% at December 31, 2018 and 50% at March 31, 2018. Historically, this percentage has been in the 45% to 50% range. Management measures the change in Accounts and Notes Receivable by monitoring the days sales

outstanding on a monthly basis to determine if any deterioration has occurred in the collectability of the Accounts and Notes Receivable. No significant deterioration in the collectability of our Accounts Receivable in our construction products and building materials businesses was identified at December 31, 2018. Notes Receivable are monitored on an individual basis, and no significant deterioration in the collectability of our Notes Receivable was identified at December 31, 2018.

Our Inventory balance at December 31, 2018 declined approximately \$6.9 million from our Inventory balance at March 31, 2018. Within Inventory, raw materials and materials-in-progress and repair parts decreased approximately \$9.8 million and \$1.9 million, respectively, while our recycled paperboard inventory increased

approximately \$5.7 million. The decline in raw materials and materials-in-progress was consistent with our business cycle as we generally build up clinker inventory during the winter to meet the demand during the spring and summer. The decline in repair parts inventory was due primarily to the maintenance outages at all of our cement plants during the fiscal first quarter. The increase in recycled paperboard inventory was due primarily to the build-up of inventory in anticipation of a major shut down during fiscal 2020. The largest individual balance in our Inventory is our repair parts. These parts are necessary given the size and complexity of our manufacturing plants, as well as the age of certain of our plants, which creates the need to stock a high level of repair parts inventory. We believe all of these repair parts are necessary, and we perform semi-annual analyses to identify obsolete parts. We have less than one year's sales of all product inventories, and our inventories have a low risk of obsolescence given that our products are basic construction materials.

Net Cash Used in Investing Activities during the nine months ended December 31, 2018 was approximately \$124.2 million, compared with \$120.5 million in the similar period for fiscal 2018, an increase of approximately \$3.7 million. The increase was primarily related to capital expenditures in our Oil and Gas Proppants and Cement segments, which increased Cash Used in Investing Activities by approximately \$20.3 million and \$19.8 million, respectively, partially offset by a decline in acquisition spending of approximately \$36.8 million. The increase in capital expenditures in the Oil and Gas Proppants segment was related to the build-out of our Utica, Illinois facility, which was completed in June 2018. The increase in capital expenditures in our Cement segment was primarily due to additions to our terminal network and upgrades to our plants. We anticipate spending between \$40.0 million and \$45.0 million on sustaining capital expenditures for all of our businesses during fiscal 2019.

Net Cash Used in Financing Activities was approximately \$200.9 million during the nine months ended December 31, 2018, compared with \$139.6 million in the similar period for fiscal 2018. The \$61.3 million increase in Net Cash Used in Financing Activities was primarily due to the \$166.9 million increase in repurchase and retirement of common stock and a \$21.7 million decrease in proceeds from common stock exercises, partially offset by an increase in borrowings under the Credit Facility of approximately \$45.0 million and reduction in repayments of Private Placement Senior Unsecured Notes of approximately \$81.2 million. Our debt-to-capitalization ratio and net-debt-to-capitalization ratio was 30.6% and 30.0%, respectively, at December 31, 2018, compared with 30.5% and 30.1%, respectively, at March 31, 2018.

Debt Financing Activities

BANK CREDIT FACILITY

We have a \$500.0 million revolving credit facility (the Credit Facility), including a swingline loan sublimit of \$25.0 million, which terminates on August 2, 2021. Borrowings under the Credit Facility are guaranteed by substantially all of the Company's subsidiaries. The debt under the Credit Facility is not rated by rating agencies.

At our option, outstanding principal amounts on the Credit Facility bear interest at a variable rate equal to (i) the London Interbank Offered Rate (LIBOR) plus an agreed margin (ranging from 100 to 225 basis points), which is to be established quarterly based upon the Company's ratio of consolidated EBITDA, defined as earnings before interest, taxes, depreciation, and amortization, to the Company's consolidated indebtedness (the Leverage Ratio); or (ii) an alternative base rate which is the higher of (a) the prime rate or (b) the federal funds rate plus $\frac{1}{2}\%$ per annum plus an applicable rate (ranging from 0 to 125 basis points). In the case of loans bearing interest at a rate based on the federal funds rate, interest is payable quarterly. In the case of loans bearing interest at a rate based on LIBOR, interest is payable at the end of the LIBOR advance periods, which can be up to nine months at the option of the Company. The Company is also required to pay a commitment fee on unused available borrowings under the Credit Facility ranging from 10 to 35 basis points depending upon the Leverage Ratio. The Credit Facility contains customary covenants that restrict our ability to incur additional debt; encumber our assets; sell assets; make or enter into certain investments,

loans or guaranties; and enter into sale and leaseback arrangements. The Credit Facility also requires us to maintain a consolidated indebtedness ratio (calculated as consolidated indebtedness to consolidated earnings before interest, taxes, depreciation, amortization, certain

transaction-related deductions, and other non-cash deductions) of 3.5:1.0 or less and an interest coverage ratio (consolidated earnings before interest, taxes, depreciation, amortization, certain transaction-related deductions, and other non-cash deductions to consolidated interest expense) of at least 2.5:1.0. We had \$245.0 million of borrowings outstanding at December 31, 2018. Based on our Leverage Ratio, we had \$247.2 million of available borrowings, net of the outstanding letters of credit, at December 31, 2018.

The Credit Facility has a \$40.0 million letter of credit facility. Under the letter of credit facility, the Company pays a fee at a per annum rate equal to the applicable margin for Eurodollar loans in effect from time to time plus a one-time letter of credit fee in an amount equal to 0.125% of the initial stated amount. At December 31, 2018, we had \$7.8 million of outstanding letters of credit.

4.500% SENIOR UNSECURED NOTES DUE 2026

On August 2, 2016, the Company issued \$350.0 million aggregate principal amount of 4.500% senior notes (Senior Unsecured Notes) due August 2026. Interest on the Senior Unsecured Notes is payable semi-annually on February 1 and August 1 of each year until all of the outstanding notes are paid. The Senior Unsecured Notes rank equal to existing and future senior indebtedness, including the Credit Facility and the Private Placement Senior Unsecured Notes. Prior to August 1, 2019, we may redeem with the proceeds of certain equity offerings up to 40% of the original aggregate principal amount of the Senior Unsecured Notes at a redemption price of 104.5% of the principal amount of the notes. On or after August 1, 2019 and prior to August 1, 2021, we may redeem some or all of the Senior Unsecured Notes at a price equal to 100% of the principal amount, plus a make-whole premium. Beginning on August 1, 2021, we may redeem some or all of the Senior Unsecured Notes at the redemption prices set forth below (expressed as a percentage of the principal amount being redeemed):

	Percentage
2021	102.25 %
2022	101.50 %
2023	100.75 %
2024 and thereafter	100.00 %

The Senior Unsecured Notes contain covenants that limit our ability and/or our guarantor subsidiaries' ability to create or permit to exist certain liens; enter into sale and leaseback transactions; and consolidate, merge, or transfer all or substantially all of our assets. The Company's Senior Unsecured Notes are fully and unconditionally, and jointly and severally guaranteed by each of our subsidiaries that is a guarantor under the Credit Facility and Private Placement Senior Unsecured Notes. See Footnote (Q) to the Unaudited Consolidated Financial Statements for more information on the guarantors of the Senior Unsecured Notes.

PRIVATE PLACEMENT UNSECURED NOTES

On October 2, 2007, in a private placement transaction, we entered into a Note Purchase Agreement (the 2007 Note Purchase Agreement) in connection with our sale of \$200.0 million of senior unsecured notes, designated as Series 2007A Senior Unsecured Notes. The Series 2007A Senior Unsecured Notes, which are guaranteed by substantially all of our subsidiaries, were sold at par and issued in four tranches.

At December 31, 2018, the amount outstanding for the remaining tranche is as follows:

	Principal	Maturity Date	Interest Rate
Tranche D	\$36.5 million	October 2, 2019	6.48 %

Interest for the Series 2007A Senior Unsecured Notes is payable semi-annually on April 2 and October 2 of each year until all principal is paid for the respective tranche.

Our obligations under the 2007 Note Purchase Agreement are equal in right of payment with all other senior, unsecured indebtedness of the Company, including our indebtedness under the Credit Facility and Senior Unsecured Notes. The 2007 Note Purchase Agreement contains customary restrictive covenants, including, but not limited to, covenants that place limits on our ability to encumber our assets, to incur additional debt, to sell assets, or to merge or consolidate with third parties.

The 2007 Note Purchase Agreement requires us to maintain a Consolidated Debt to Consolidated EBITDA (calculated as consolidated indebtedness to consolidated earnings before interest, taxes, depreciation, depletion, amortization, certain transaction-related deductions, and other non-cash charges) ratio of 3.50:1.00 or less, and to maintain an interest coverage ratio (Consolidated EBITDA to Consolidated Interest Expense [calculated as consolidated EBITDA, as defined above, to consolidated interest expense]) of at least 2.50:1.00. In addition, the 2007 Note Purchase Agreement requires the Company to ensure that at all times either (i) Consolidated Total Assets equal at least 80% of the consolidated total assets of the Company and its subsidiaries, determined in accordance with GAAP; or (ii) Consolidated Total Revenue of the Company and its restricted subsidiaries for the period of four consecutive fiscal quarters most recently ended equals at least 80% of the consolidated Total Revenue of the Company and its subsidiaries during such period. We are in compliance with all financial ratios and tests at December 31, 2018.

Pursuant to a Subsidiary Guaranty Agreement, substantially all of our subsidiaries have guaranteed the punctual payment of all principal, interest, and make-whole amounts (as defined in the 2007 Note Purchase Agreement) on the Series 2007A Senior Unsecured Notes, and the other payment and performance obligations of the Company contained in the 2007 Note Purchase Agreement. We are permitted, at our option and without penalty, to prepay from time to time at least 10% of the original aggregate principal amount of the Series 2007A Senior Unsecured Notes at 100% of the principal amount to be prepaid, together with interest accrued on such amount to be prepaid to the date of payment, plus a make-whole amount. The make-whole amount is computed by discounting the remaining scheduled payments of interest and principal of the Series 2007A Senior Unsecured Notes being prepaid at a discount rate equal to the sum of 50 basis points, and the yield to maturity of U.S. Treasury securities having a maturity equal to the remaining average life of the Series 2007A Senior Unsecured Notes being prepaid.

OTHER INFORMATION

We lease one of our cement plants from the city of Sugar Creek, Missouri. The city of Sugar Creek issued industrial revenue bonds to partly finance improvements to the cement plant. The lease payments due to the city of Sugar Creek under the cement plant lease, which was entered into upon the sale of the industrial revenue bonds, are equal in amount to the payments required to be made by the city of Sugar Creek to the holders of the industrial revenue bonds. Because we hold all outstanding industrial revenue bonds, no debt is reflected on our financial statements in connection with our lease of the cement plant. At the expiration of the lease in fiscal 2021, we have the option to purchase the cement plant for a nominal amount.

Other than the Credit Facility, we have no other source of committed external financing in place. Should the Credit Facility be terminated, no assurance can be given as to our ability to secure a new source of financing. Consequently, if any balance were outstanding on the Credit Facility at the time of termination, and an alternative source of financing could not be secured, it would have a material adverse impact on our business. Our Credit Facility is not rated by the rating agencies.

We do not have any off balance sheet debt, except for approximately \$60.0 million of operating leases, which have an average remaining term of approximately 15 years. Also, we have no outstanding debt guarantees. We have available under the Credit Facility a \$40.0 million letter of credit facility. At December 31, 2018, we had \$7.8 million of letters of credit outstanding that renew annually. We are contingently liable for performance under \$26.1 million in performance bonds relating primarily to our mining operations.

We believe that our cash flow from operations and available borrowings under our Credit Facility should be sufficient to meet our currently anticipated operating needs, capital expenditures, and dividend and debt service

requirements for at least the next 12 months. However, our future liquidity and capital requirements may vary depending on a number of factors, including market conditions in the construction industry, our ability to maintain compliance with covenants in our Credit Facility, the level of competition, and general and economic factors beyond our control. These and other developments could reduce our cash flow or require that we seek additional sources of funding. We cannot predict what effect these factors will have on our future liquidity.

As market conditions warrant, the Company may from time to time seek to purchase or repay its outstanding debt securities or loans, including the Series 2007A Senior Unsecured Notes, 4.500% Senior Unsecured Notes, and borrowings under the Credit Facility, in privately negotiated or open-market transactions, by tender offer or otherwise. Subject to any applicable limitations contained in the agreements governing our indebtedness, any purchases made by us may be funded by the use of cash on our balance sheet or the incurrence of new debt. The amounts involved in any such purchase transactions, individually or in aggregate, may be material. Any such purchases of the notes offered hereby may be with respect to a substantial amount of such notes, with an attendant reduction in the trading liquidity of such notes.

Dividends

Dividends paid were \$14.3 million and \$14.6 million for the nine months ended December 31, 2018 and 2017, respectively. Each quarterly dividend payment is subject to review and approval by our Board of Directors, who will continue to evaluate our dividend payment amount on a quarterly basis.

Share Repurchases

Period	Total Number of Shares Purchased	Average Price Paid	Total	Maximum
			Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Number of Shares that May Yet be Purchased Under the Plans or Programs
April 1 through April 30, 2018	194,300	\$100.50	194,300	
May 1 through May 31, 2018	174,000	104.39	174,000	
June 1 through June 30, 2018	132,000	111.03	132,000	
Quarter 1 Totals	500,300	\$104.62	500,300	
July 1 through July 31, 2018	147,000	\$106.87	147,000	
August 1 through August 31, 2018	231,800	97.16	231,800	
September 1 through September 30, 2018	360,000	88.37	360,000	
Quarter 2 Totals	738,800	\$94.81	738,800	
October 1 through October 31, 2018	345,000	\$78.58	345,000	
November 1 through November 30, 2018	355,000	74.28	355,000	

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December 1 through December 31, 2018	250,000	63.75	250,000	
Quarter 3 Totals	950,000	\$73.03	950,000	
Year-to-Date Totals	2,189,100	\$87.62	2,189,100	2,000,328

On August 10, 2015, the Board of Directors authorized the Company to repurchase up to an additional 6,782,700 shares, for a total outstanding authorization of 7,500,000 shares. During the nine months ended December 31, 2018, we repurchased 2,189,100 shares at an average price of \$87.62. Subsequent to December 31, 2018, we repurchased an additional 340,000 shares through January 25, 2019 at an average price per share of \$64.94. Including the share repurchases made subsequent to December 31, 2018, we have authorization to repurchase an additional 1,660,328 shares.

Share repurchases may be made from time to time in the open market or in privately negotiated transactions. The timing and amount of any share repurchases will be determined by management, based on its evaluation of market and economic conditions and other factors. In some cases, repurchases may be made pursuant to plans,

programs, or directions established from time to time by the Company's management, including plans intended to comply with the safe harbor provided by Rule 10b5-1 under the Securities Exchange Act of 1934.

During the nine-months ended December 31, 2018, the Company withheld from employees 42,116 shares of stock upon the vesting of Restricted Shares that were granted under the Eagle Materials Inc. Amended and Restated Incentive Plan. We withheld these shares to satisfy the employees' statutory tax withholding requirements, which is required once the Restricted Shares or Restricted Shares Units are vested.

Capital Expenditures

The following table compares capital expenditures:

	For the Nine Months Ended December 31,	
	2018	2017
	(dollars in thousands)	
Land and Quarries	\$1,672	\$5,147
Plants	85,491	60,538
Buildings, Machinery, and Equipment	39,283	18,013
Total Capital Expenditures	\$126,446	\$83,698

We anticipate maintenance capital expenditures will be approximately \$40.0 million to \$45.0 million for fiscal 2019. Historically, we have financed such expenditures with cash from operations and borrowings under our revolving Credit Facility. We expect capital expenditures in fiscal 2019 to be approximately \$150.0 million to \$160.0 million, including maintenance capital expenditures, investments related to the completion of the dry plant in Utica, Illinois, and investments to enhance our distribution capabilities and continue to improve our operations.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to market risks related to fluctuations in interest rates on our Credit Facility. From time to time we have utilized derivative instruments, including interest rate swaps, in conjunction with our overall strategy to manage the debt outstanding that is subject to changes in interest rates. As of December 31, 2018, we have a \$500.0 million Credit Facility, under which borrowings bear interest at a variable rate. A hypothetical 100 basis point increase in interest rates on the \$245.0 million of borrowings outstanding at December 31, 2018 would increase interest expense by approximately \$2.5 million on an annual basis. At present, we do not utilize derivative financial instruments.

We are subject to commodity risk with respect to price changes principally in coal, coke, natural gas, and power. We attempt to limit our exposure to changes in commodity prices by entering into contracts or increasing our use of alternative fuels.

Item 4. Controls and Procedures

We have established a system of disclosure controls and procedures that are designed to ensure that information relating to the Company, which is required to be disclosed by us in the reports that we file or submit under the

Securities Exchange Act of 1934 (Exchange Act), is recorded, processed, summarized, and reported within the time periods specified by the SEC's rules and forms, and that such information is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, in a timely fashion. An evaluation of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) was performed as of the end of the period covered by this quarterly report. This evaluation was performed under the supervision and with the participation of management, including our CEO and CFO. Based upon that evaluation, our CEO and CFO have concluded that these disclosure controls and procedures were effective.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Domestic Wallboard Antitrust Litigation

Since late December 2012, several purported class action lawsuits were filed in various United States District Courts, including the Eastern District of Pennsylvania, Western District of North Carolina, and the Northern District of Illinois, against the Company and the Company's subsidiary, American Gypsum Company LLC (American Gypsum), alleging that the defendant wallboard manufacturers conspired to fix the price of drywall sold in the United States in violation of federal antitrust laws, and in some cases related provisions of state law. In addition to American Gypsum, the defendants in these lawsuits included certain other wallboard manufacturers. These cases were subsequently transferred and consolidated to the Eastern District of Pennsylvania for coordinated pretrial proceedings.

The plaintiffs in the consolidated class action complaints asserted claims on behalf of purported classes of direct purchasers or end users of wallboard from January 1, 2012 to the present for unspecified monetary damages (including treble damages) and in some cases injunctive relief. The Company and American Gypsum denied all allegations that they conspired to increase the price of drywall and asserted affirmative defenses to the plaintiffs' claims.

Following completion of the initial discovery, the Company and remaining co-defendants moved for summary judgment. On February 18, 2016 the court denied the Company's motion for summary judgment.

On August 23, 2017, the court granted the direct purchaser plaintiffs' motion for class certification and certified a class consisting of all persons or entities that purchased paper-backed gypsum wallboard in the United States from January 1, 2012 through January 31, 2013 directly from American Gypsum, the Company, Lafarge, New NGC, PABCO, USG, and/or L&W Supply Corporation (which was a subsidiary of USG Corporation during the class period). In addition, on August 24, 2017, the court denied the indirect purchaser's motion for class certification.

On December 29, 2017, American Gypsum and the Company, as well as New NGC and PABCO, which are not affiliated with the Company, entered into a settlement agreement (the Direct Purchaser Settlement Agreement) with counsel representing the direct purchaser class to settle all claims made against the Company, American Gypsum, New NGC, and PABCO in the direct purchaser class action. The Direct Purchaser Settlement Agreement, in which the Company and American Gypsum deny all wrongdoing, also includes releases by the participating class members of the Company and American Gypsum as well as their subsidiaries, affiliates, and other related parties, for the period from January 1, 2012 through the date of execution of the Direct Purchaser Settlement Agreement. On January 5, 2018, American Gypsum, New NGC, and PABCO entered into a settlement agreement (the Indirect Purchaser Settlement Agreement) with counsel representing the indirect purchaser class to settle all claims against American Gypsum, New NGC, and PABCO in the indirect purchaser class action. The Indirect Purchaser Settlement Agreement was approved by the District Court on October 26, 2018. Under the Direct and Indirect Purchaser Settlement Agreements, the Company and American Gypsum agreed to pay a total of approximately \$39.1 million in cash to settle the claims against them. These claims were accrued at the time of the settlements, and during March 2018 we deposited approximately \$38.8 million into a qualified settlement fund. The amount owed under the Direct Purchaser Settlement was paid in July 2018 after approval by the District Court.

In March 2015, a group of homebuilders filed a complaint against the defendants, including American Gypsum, based upon the same conduct alleged in the consolidated class action complaints. In March 2015, the JPML transferred this action to the multidistrict litigation already pending in the Eastern District of Pennsylvania. Effective May 8, 2018, American Gypsum and the homebuilder plaintiffs entered into a settlement agreement (the Homebuilder Settlement Agreement) to settle all claims made against American Gypsum. The Homebuilder Settlement Agreement, in which

American Gypsum denies all wrongdoing, includes releases by the homebuilder

42

plaintiffs of American Gypsum as well as its subsidiaries, affiliates, and other related parties, for the time period prior to and including the date of execution of the Homebuilder Settlement Agreement. Under the Homebuilder Settlement Agreement, American Gypsum agreed to pay a total of \$6.0 million in cash to settle the claims against it. At March 31, 2018, we accrued the total amount of this settlement, and this amount was paid on May 18, 2018.

In June 2015, American Gypsum and an employee received grand jury subpoenas from the United States District Court for the Western District of North Carolina seeking information regarding an investigation of the gypsum drywall industry by the Antitrust Division of the Department of Justice. We believe the investigation, although a separate proceeding, was related to the same subject matter at issue in the litigation described above. On August 24, 2018, the Antitrust Division notified us that the investigation has been closed.

Item 1A. Risk Factors

We are affected by the level of demand in the construction industry.

Demand for our construction products and building materials is directly related to the level of activity in the construction industry, which includes residential, commercial and infrastructure construction. While the most recent downturn in residential and commercial construction, which began in calendar 2007, materially affected our business, certain economic fundamentals began improving in calendar 2012, and have continued to improve; however, the rate and sustainability of such improvement remains uncertain. Infrastructure spending continues to be adversely affected by several factors, including the budget constraints currently being experienced by federal, state and local governments. Any decrease in the amount of government funds available for such projects or any decrease in construction activity in general (including any weakness in residential or commercial construction) could have a material adverse effect on our business, financial condition, and results of operations.

Our business is seasonal in nature, and this causes our quarterly results to vary significantly.

A majority of our business is seasonal with peak revenue and profits occurring primarily in the months of April through November when the weather in our markets is more suitable for construction activity. Quarterly results have varied significantly in the past and are likely to vary significantly in the future. Such variations could have a negative impact on the price of our common stock.

We are subject to the risk of unfavorable weather conditions, particularly during peak construction periods, as well as other unexpected operational difficulties.

Unfavorable weather conditions, such as snow, cold weather, hurricanes, tropical storms, and heavy or sustained rainfall, can reduce construction activity and adversely affect demand for construction products. Such weather conditions can also increase our costs, reduce our production, or impede our ability to transport our products in an efficient and cost-effective manner. Similarly, operational difficulties, such as business interruption due to required maintenance, capital improvement projects, or loss of power, can increase our costs and reduce our production. In particular, the occurrence of unfavorable weather conditions and other unexpected operational difficulties during peak construction periods could adversely affect operating earnings and cash flow and could have a disproportionate impact on our results of operations for the full year.

We and our customers participate in cyclical industries and regional markets, which are subject to industry downturns.

A majority of our revenue is from customers who are in industries and businesses that are cyclical in nature and subject to changes in general economic conditions. For example, many of our customers operate in the construction industry, which is affected by a variety of factors, such as general economic conditions, changes in interest rates,

demographic and population shifts, levels of infrastructure spending, and other factors beyond our control. In addition, since our operations are in a variety of geographic markets, our businesses are subject to differing economic conditions in each such geographic market. Economic downturns in the industries to which we sell our products or localized downturns in the regions where we have operations generally have an adverse

effect on demand for our products and negatively affect the collectability of our receivables. In general, any downturns in these industries or regions could have a material adverse effect on our business, financial condition, and results of operations.

Many of our products are commodities, which are subject to significant changes in supply and demand and price fluctuations.

Many of the products sold by us are commodities, and competition among manufacturers is based largely on price. Prices are often subject to material changes in response to relatively minor fluctuations in supply and demand, general economic conditions, and other market conditions beyond our control. Increases in the production capacity of industry participants for products such as gypsum wallboard, frac sand, or cement or increases in cement imports tend to create an oversupply of such products leading to an imbalance between supply and demand, which can have a negative impact on product prices. Currently, there continues to be significant excess nameplate capacity in the gypsum wallboard industry in the United States. There can be no assurance that prices for products sold by us will not decline in the future or that such declines will not have a material adverse effect on our business, financial condition, and results of operations.

Our Cement business is capital intensive, resulting in significant fixed and semi-fixed costs. Therefore, our earnings are sensitive to changes in volume.

Due to the high levels of fixed capital required to produce cement, our profitability is susceptible to significant changes in volume. We believe that our current cash balance, along with our projected internal cash flows and our available financing resources will provide sufficient cash to support our currently anticipated operating and capital needs. However, if we are unable to generate sufficient cash to purchase and maintain the property and machinery necessary to operate our cement business, we may be required to reduce or delay planned capital expenditures or incur additional debt. In addition, given the level of fixed and semi-fixed costs within our Cement business and at our cement production facilities, decreases in volume could have an adverse effect on our financial condition, results of operations, and liquidity.

Our Oil and Gas Proppants business and financial performance depends on the level of activity in the oil and natural gas industries.

Our operations that produce frac sand are materially dependent on the levels of activity in oil and natural gas exploration, development, and production. More specifically, the demand for the frac sand we produce is closely related to the number of oil and natural gas wells completed in geological formations where sand-based proppants are used in fracture treatments. These activity levels are affected by both short- and long-term trends in oil and natural gas prices. In recent years, oil and natural gas prices and, therefore, the level of exploration, development, and production activity, have experienced significant fluctuations. Worldwide economic, political and military events, including war, terrorist activity, events in the Middle East, and initiatives by the Organization of the Petroleum Exporting Countries, have contributed, and are likely to continue to contribute, to price volatility. Additionally, warmer than normal winters in North America and other weather patterns may adversely affect the short-term demand for natural gas and, therefore, demand for our products. Reduction in demand for natural gas to generate electricity could also adversely affect the demand for frac sand. A prolonged reduction in oil and natural gas prices would generally depress the level of oil and natural gas exploration, development, production and well completion activity, and would result in a corresponding decline in the demand for the frac sand we produce. In addition, any future decreases in the rate at which oil and natural gas reserves are discovered or developed, whether due to increased governmental regulation, limitations on exploration and drilling activity or other factors, could have material adverse effect on our Oil and Gas Proppants business, even in a stronger oil and natural gas price environment.

Any material nonpayment or nonperformance by any of our key customers could have a material adverse effect on our business and results of operations.

Any material nonpayment or nonperformance by any of our key customers could have a material adverse effect on our revenue and cash flows, in particular with respect to our Oil and Gas Proppants business. Our contracts with our customers provide for different potential remedies to us in the event a customer fails to purchase the minimum contracted amount of product in a given period. If we were to pursue legal remedies in the event that a customer failed to purchase the minimum contracted amount of product under a fixed-volume contract or failed to satisfy the take-or-pay commitment under a take-or-pay contract, we may receive significantly less in a judgment or settlement of any claimed breach than we would have received had the customer fully performed under the contract. In the event of any customer's breach, we may also choose to renegotiate any disputed contract on less favorable terms (including with respect to price and volume) for us to preserve the relationship with that customer.

Volatility and disruption of financial markets could affect access to credit.

Difficult economic conditions can cause a contraction in the availability, and increase the cost, of credit in the marketplace. A number of our customers or suppliers have been and may continue to be adversely affected by unsettled conditions in capital and credit markets, which in some cases have made it more difficult or costly for them to finance their business operations. These unsettled conditions have the potential to reduce the sources of liquidity for the Company and our customers.

Our and our customers' operations are subject to extensive governmental regulation, including environmental laws, which can be costly and burdensome.

Our operations and those of our customers are subject to and affected by federal, state, and local laws and regulations with respect to such matters as land usage, street and highway usage, noise level, and health and safety and environmental matters. In many instances, various certificates, permits, or licenses are required in order for us or our customers to conduct business or carry out construction and related operations. Although we believe that we are in compliance in all material respects with applicable regulatory requirements, there can be no assurance that we will not incur material costs or liabilities in connection with regulatory requirements or that demand for our products will not be adversely affected by regulatory issues affecting our customers. In addition, future developments, such as the discovery of new facts or conditions, the enactment or adoption of new or stricter laws or regulations, or stricter interpretations of existing laws or regulations, may impose new liabilities on us, require additional investment by us, or prevent us from opening, expanding, or modifying plants or facilities, any of which could have a material adverse effect on our financial condition or results of operations.

For example, greenhouse gases (GHGs) currently are regulated as pollutants under the CAA and subject to reporting and permitting requirements. Future consequences of GHG permitting requirements and potential emission reduction measures for our operations may be significant because (1) the cement manufacturing process requires the combustion of large amounts of fuel, (2) in our cement manufacturing process, the production of carbon dioxide is a byproduct of the calcination process, whereby carbon dioxide is removed from calcium carbonate to produce calcium oxide, and (3) our gypsum wallboard manufacturing process combusts a significant amount of fossil fuel, especially natural gas. In addition, the EPA has proposed to regulate GHG emissions from existing fossil fuel fired power plants as a result of the EPA's promulgation of new source performance standards for the same sources. In the future, the EPA is expected to propose new source performance standards for cement manufacturing, which similarly will trigger a requirement for the EPA to promulgate regulations relating to existing cement manufacturing facilities. The timing of such regulation is uncertain.

The EPA finalized National Emissions Standards for Hazardous Air Pollutants, or NESHAP, for Portland cement plants (PC NESHAP). The PC NESHAP required a significant reduction in emissions of certain hazardous air pollutants from Portland cement kilns, including mercury, total hydrocarbons, particulate matter (as a surrogate for metal pollutants), and acid gases from cement kilns of all sizes. The Clean Air Act requires the EPA to periodically

review and revise these standards based on any residual risk posed by emissions from cement plants. In the future, the EPA may propose to further strengthen the emission limitations applicable under the PC NESHAP. It is not possible at this time to predict when such rule making will be undertaken or whether it would have a material effect on the Company's operations.

On March 21, 2011, the EPA proposed revised Standards of Performance for New Sources and Emissions Guidelines for Existing Sources for Commercial/Industrial Solid Waste Incinerators (the CISWI Rule) per Section 129 of the CAA, which created emission standards for 4 subcategories of industrial facilities, one of which is "Waste Burning Kilns." The EPA simultaneously stayed the CISWI Rule for further reconsideration. Effective as of February 13, 2013, the EPA finalized revisions to the CISWI Rule. For those cement kilns that utilize non-hazardous secondary materials (NHSM) as defined in a rule first finalized on March 21, 2011 (and slightly revised effective on February 13, 2013), the CISWI Rule will require significant reductions in emissions of certain pollutants from applicable cement kilns. The CISWI Rule sets forth emission standards for mercury, carbon monoxide, acid gases, nitrogen oxides, sulfur dioxide, certain metals (lead and cadmium), particulate matter, and more stringent standards than PC NESHAP for dioxin/furans. The compliance date for this rule was February 7, 2018.

On April 17, 2015, the EPA published its final rule addressing the storage, reuse, and disposal of coal combustion products, which include fly ash and flue gas desulfurization gypsum (synthetic gypsum). We use synthetic gypsum in wallboard manufactured at our Georgetown, South Carolina plant. The rule, which applies only to electric utilities and independent power producers, establishes standards for the management of coal combustion residuals (CCRs) under Subtitle D of the Resource Conservation and Recovery Act, or RCRA, which is the Subtitle that regulates non-hazardous wastes. The rule imposes requirements addressing CCR surface impoundments and landfills, including location restrictions, design and operating specifications, groundwater monitoring requirements, corrective action requirements, recordkeeping and reporting obligations, and closure requirements. Beneficial encapsulated uses of CCRs, including synthetic gypsum, are exempt from regulation. The rule became effective on October 14, 2015, with many of the requirements phased in months or years after the effective date. Given the EPA's decision to continue to allow CCR to be used in synthetic gypsum and to regulate CCR under the non-hazardous waste sections of RCRA, we do not expect the rule to materially affect our business, financial condition, and results of operations. Similarly, material effects for our business, financial condition and results of operations are unlikely to result from the pending judicial appeals and/or administrative reconsideration by the EPA of certain aspects of the final CCR rule, because none of these pending actions currently seek to overturn the management of CCR as non-hazardous waste or the regulatory exemption for beneficial encapsulated use of CCR.

On October 1, 2015, the EPA lowered the primary and secondary ozone standards from the current 8-hour standard of 75 parts per billion (ppb) to 70 ppb. The EPA also strengthened the secondary ozone standard to improve protection for trees, plants, and ecosystems. Like the primary standard, an area will meet the secondary standard if the fourth-highest maximum daily 8-hour ozone concentration per year, averaged over three years, is equal to or less than 70 ppb. The EPA based the secondary standard on the "W126 metric," an index designed to show the cumulative impact of ozone on plants and trees seasonally. The EPA has issued an implementation memo describing how it will determine whether the ozone levels in areas across the country, typically on a county level, are above the new standards. Areas above the new standards will be designated as "nonattainment," and areas at or below the new standards will be designated as "attainment." In states with major emitting sources located in or near designated nonattainment areas, states will impose new and costly regulatory requirements. For areas that are determined to be in non-attainment, states will be required to develop plans to bring the areas into attainment by as early as 2020. At this time, it is not possible to determine whether any area in which we operate will be designated nonattainment. However, if that occurs, we may be required to meet new control requirements requiring significant capital expenditures for compliance.

Our cement plant located in Kansas City, Missouri is subject to certain obligations under a consent decree with the United States requiring the establishment of facility-specific emissions limitations for certain air pollutants. Limitations that significantly restrict emissions levels beyond current operating levels may require additional investments by us or place limitations on operations, any of which could have a material adverse effect on our financial condition or results of operations.

Our cement plant in Tulsa, Oklahoma is subject to NESHAP for hazardous waste combustors (the HWC MACT), which imposes emission limitations and operating limits on cement kilns that are fueled by hazardous wastes. Compliance with the HWC MACT could impose additional liabilities on us or require additional investment by us, which could have a material adverse effect on our financial condition or results of operations. In addition, new developments, such as new laws or regulations, may impose new liabilities on us, require additional investment by us, or prevent us from operating or expanding plants or facilities, any of which could have a material adverse effect on our financial condition or results of operations. For example, while the HWC MACT has not been updated since 2008, 73 Fed. Reg. 64068 (Oct. 28, 2008), future revisions to the HWC MACT regulations would apply to both of the cement kilns used at the cement plant in Tulsa, Oklahoma. Such revision could require new control requirements and significant capital expenditure for compliance.

Climate change and climate change legislation or regulations may adversely affect our business.

A number of governmental bodies have finalized, proposed or are contemplating legislative and regulatory changes in response to the potential effects of climate change. Such legislation or regulation has and potentially could include provisions for a “cap and trade” system of allowances and credits or a carbon tax, among other provisions.

Other potential effects of climate change include physical effects such as disruption in production and product distribution as a result of major storm events and shifts in regional weather patterns and intensities. Production and shipment levels for our businesses correlate with general construction activity, most of which occurs outdoors and, as a result, is affected by erratic weather patterns, seasonal changes and other unusual or unexpected weather-related conditions, which can significantly affect our businesses. There is also a potential for climate change legislation and regulation to adversely affect the cost of purchased energy and electricity.

The effects of climate change on our operations are highly uncertain and difficult to estimate. However, because a chemical reaction inherent to the manufacture of Portland cement releases carbon dioxide, a GHG, cement kiln operations may be disproportionately affected by future regulation of GHGs. Climate change and legislation and regulation concerning GHGs could have a material adverse effect on our financial condition, results of operations and liquidity.

Silica-related legislation, health issues and litigation could have a material adverse effect on our business, reputation or results of operations.

The inhalation of respirable crystalline silica is associated with the lung disease silicosis. There is evidence of an association between crystalline silica exposure or silicosis and lung cancer and a possible association with other diseases, including immune system disorders such as scleroderma. These health risks have been, and may continue to be, a significant issue confronting the frac sand industry and related transloading operations. Concerns over silicosis and other potential adverse health effects, as well as concerns regarding potential liability from the use or handling of frac sand, may have the effect of discouraging our customers’ use of our frac sand. The actual or perceived health risks of mining, processing, and handling frac sand could materially and adversely affect frac sand producers and those who transload frac sand, including us, through reduced use of frac sand, the threat of product liability or employee lawsuits, increased scrutiny by federal, state and local regulatory authorities of us and our customers. We are currently subject to laws and regulations relating to human exposure to crystalline silica. Several federal and state regulatory

authorities, including MSHA and OSHA, may continue to propose and implement changes in their regulations regarding workplace exposure to crystalline silica, such as permissible exposure limits and required controls and personal protective equipment. We may not be

able to comply with any new laws and regulations that are adopted and required modifications or cessation of operations at our affected operations could have a material adverse effect on those businesses.

We may incur significant costs in connection with pending and future litigation.

We are, or may become, party to various lawsuits, claims, investigations, and proceedings, including but not limited to personal injury, environmental, antitrust, tax, asbestos, property entitlements and land use, intellectual property, commercial, contract, product liability, health and safety, and employment matters. The outcome of pending or future lawsuits, claims, investigations, or proceedings is often difficult to predict and could be adverse and material in amount. Development in these proceedings can lead to changes in management's estimates of liabilities associated with these proceedings including the judge's rulings or judgments, settlements, or changes in applicable law. A future adverse ruling, settlement, or unfavorable development could result in charges that could have a material adverse effect on our results of operations and cash flows in a particular period. In addition, the defense of these lawsuits, claims, investigations, and proceedings may divert our management's attention, and we may incur significant costs in defending these matters. See Part II Item 1. Legal Proceedings of this report.

Our results of operations are subject to significant changes in the cost and availability of fuel, energy and other raw materials.

Major cost components in each of our businesses are the costs of fuel, energy, and raw materials. Significant increases in the costs of fuel, energy, or raw materials, or substantial decreases in their availability could materially and adversely affect our sales and operating profits. Prices for fuel, energy, or raw materials used in connection with our businesses could change significantly in a short period of time for reasons outside our control. Prices for fuel and electrical power, which are significant components of the costs associated with our Gypsum Wallboard and Cement businesses, have fluctuated significantly in recent years and may increase in the future. In the event of large or rapid increases in prices, we may not be able to pass the increases through to our customers in full, which would reduce our operating margin.

Changes in the cost or availability of raw materials supplied by third parties may adversely affect our operating and financial performance.

We generally maintain our own reserves of limestone, gypsum, aggregates, and other materials that we use to manufacture our products. However, we obtain certain raw materials used to manufacture our products, such as synthetic gypsum and slag granules, from third parties who produce such materials as by-products of industrial processes. While we try to secure our needed supply of such materials through long-term contracts, those contracts may not be sufficient to meet our needs, or we may be unable to renew or replace existing contracts when they expire or are terminated in the future. Should our existing suppliers cease operations or reduce or eliminate production of these by-products, our costs to procure these materials may increase significantly, or we may be obliged to procure alternatives to replace these materials, which may not be available on commercially reasonable terms or at all. Any such development may adversely affect our operations and financial condition.

We may become subject to significant clean-up, remediation, and other liabilities under applicable environmental laws.

Our operations are subject to state, federal, and local environmental laws and regulations, which impose liability for cleanup or remediation of environmental pollution and hazardous waste arising from past acts. These laws and regulations also require pollution control and prevention, site restoration and operating permits and/or approvals to conduct certain of our operations or expand or modify our facilities. Certain of our operations may from time to time involve the use of substances that are classified as toxic or hazardous substances within the meaning of these laws and

regulations. Additionally, any future laws or regulations addressing GHG emissions would likely have a negative impact on our business or results of operations, whether through the imposition of raw material or production limitations, fuel-use, or carbon taxes emission limitations or reductions, or otherwise. We are unable to estimate accurately the impact on our business or results of operations of any such law or regulation at this time. Risk of environmental liability (including the incurrence of fines, penalties, other sanctions,

or litigation liability) is inherent in the operation of our businesses. As a result, it is possible that environmental liabilities and compliance with environmental regulations could have a material adverse effect on our operations in the future.

Significant changes in the cost and availability of transportation could adversely affect our business, financial condition, and results of operations.

Some of the raw materials used in our manufacturing processes, such as coal or coke, are transported to our facilities by truck or rail. In addition, transportation logistics play an important part in allowing us to supply products to our customers, whether by truck, rail, or barge. For example, we deliver gypsum wallboard to many areas of the United States, and the transportation costs associated with the delivery of our wallboard products represent a significant portion of the variable cost of our Gypsum Wallboard segment. Significant increases in the cost of fuel or energy can result in material increases in the cost of transportation, which could materially and adversely affect our operating profits. In addition, reductions in the availability of certain modes of transportation, such as rail or trucking, could limit our ability to deliver product and therefore materially and adversely affect our operating profits.

Our debt agreements contain restrictive covenants and require us to meet certain financial ratios and tests, which limit our flexibility and could give rise to a default if we are unable to remain in compliance.

Our Credit Facility, Senior Unsecured Notes, and Series 2007A Senior Unsecured Notes contain, among other things, covenants that limit our ability to finance future operations or capital needs or to engage in other business activities, including but not limited to our ability to:

- incur additional indebtedness;
- sell assets or make other fundamental changes;
- engage in mergers and acquisitions;
- pay dividends and make other restricted payments;
- make investments, loans, advances or guarantees;
- encumber our assets or those of our restricted subsidiaries;
- enter into transactions with our affiliates.

In addition, these agreements require us to meet and maintain certain financial ratios and tests, which may require that we take action to reduce our debt or to act in a manner contrary to our business objectives. Events beyond our control, including the changes in general business and economic conditions, may impair our ability to comply with these covenants or meet those financial ratios and tests. A breach of any of these covenants or failure to maintain the required ratios and meet the required tests may result in an event of default under these agreements. This may allow the lenders under these agreements to declare all amounts outstanding to be immediately due and payable, terminate any commitments to extend further credit to us, and pursue other remedies available to them under the applicable agreements. If this occurs, our indebtedness may be accelerated, and we may not be able to refinance the accelerated indebtedness on favorable terms, or at all, or repay the accelerated indebtedness. In general, the occurrence of any event of default under these agreements could have a material adverse effect on our financial condition or results of operations.

We have incurred substantial indebtedness, which could adversely affect our business, limit our ability to plan for or respond to changes in our business, and reduce our profitability.

Our future ability to satisfy our debt obligations is subject, to some extent, to financial, market, competitive, legislative, regulatory, and other factors that are beyond our control. Our substantial debt obligations could have negative consequences to our business, and, in particular, could impede, restrict, or delay the implementation of our business strategy or prevent us from entering into transactions that would otherwise benefit our business. For example:

- we may be required to dedicate a substantial portion of our cash flows from operations to payments on our indebtedness, thereby reducing the availability of our cash flow for other purposes, including business development efforts, capital expenditures, or strategic acquisitions;
- we may not be able to generate sufficient cash flow to meet our substantial debt service obligations or to fund our other liquidity needs. If this occurs, we may have to take actions such as selling assets, selling equity, or reducing or delaying capital expenditures, strategic acquisitions, investments and joint ventures, or restructuring our debt;
- as a result of the amount of our outstanding indebtedness and the restrictive covenants to which we are subject, if we determine that we require additional financing to fund future working capital, capital investments, or other business activities, we may not be able to obtain such financing on commercially reasonable terms, or at all; and
- our flexibility in planning for, or reacting to, changes in our business and industry may be limited, thereby placing us at a competitive disadvantage compared with our competitors that have less indebtedness.

Our production facilities may experience unexpected equipment failures, catastrophic events, and scheduled maintenance.

Interruptions in our production capabilities may cause our productivity and results of operations to decline significantly during the affected period. Our manufacturing processes are dependent upon critical pieces of equipment. Such equipment may, on occasion, be out of service as a result of unanticipated events such as fires, explosions, violent weather conditions, or unexpected operational difficulties. We also have periodically scheduled shut-downs to perform maintenance on our facilities. Any significant interruption in production capability may require us to make significant capital expenditures to remedy problems or damage as well as cause us to lose revenue and profits due to lost production time, which could have a material adverse effect on our results of operations and financial condition.

Increases in interest rates and inflation could adversely affect our business and demand for our products, which would have a negative effect on our results of operations.

Our business is significantly affected by the movement of interest rates. Interest rates have a direct impact on the level of residential, commercial, and infrastructure construction activity by impacting the cost of borrowed funds to builders. Higher interest rates could result in decreased demand for our products, which would have a material adverse effect on our business and results of operations. In addition, increases in interest rates could result in higher interest expense related to borrowings under our Credit Facility. Inflation can result in higher interest rates. With inflation, the costs of capital increase, and the purchasing power of our cash resources can decline. Current or future efforts by the government to stimulate the economy may increase the risk of significant inflation, which could have a direct and indirect adverse impact on our business and results of operations.

Any new business opportunities we may elect to pursue will be subject to the risks typically associated with the early stages of business development or product line expansion.

We are continuing to pursue opportunities which are natural extensions of our existing core businesses and which allow us to leverage our core competencies, existing infrastructure, and customer relationships. See “Management’s Discussion and Analysis of Financial Conditions and Results of Operations – Executive Summary.” Our likelihood of success in pursuing and realizing these opportunities must be considered in light of the expenses, difficulties, and delays frequently encountered in connection with the early phases of business development or product line expansion, including the difficulties involved in obtaining permits; planning and constructing new facilities; transporting and storing products; establishing, maintaining, or expanding customer relationships; as well as navigating the regulatory environment in which we operate. There can be no assurance that we will be successful in the pursuit and realization of these opportunities.

We may be adversely affected by decreases or shifts in demand for frac sand or the development of either effective alternative proppants or new processes to replace hydraulic fracturing.

Frac sand is a proppant used in the completion and re-completion of oil and natural gas wells through hydraulic fracturing. Frac sand is the most commonly used proppant and is less expensive than ceramic proppant, which is also used in hydraulic fracturing to stimulate and maintain oil and natural gas production. A significant shift in demand from frac sand to other proppants, such as ceramic proppants, or a shift in demand from higher-margin frac sand to lower-margin frac sand, could have a material adverse effect on our Oil and Gas Proppants business. The development and use of new technology for effective alternative proppants, or new technologies allowing for improved placement of proppants at reduced volumes, or the development of new processes to replace hydraulic fracturing altogether could also cause a decline in demand for the frac sand we produce and could have a material adverse effect on our Oil and Gas Proppants business. Similarly, an increase in supply of in-basin frac sand, which may be of lower cost, in the Permian and Eagle Ford basins, could adversely affect our Oil and Gas Proppants business.

Our operations are dependent on our rights and ability to mine our properties and on our having renewed or received the required permits and approvals from governmental authorities and other third parties.

We hold numerous governmental, environmental, mining, and other permits, water rights, and approvals authorizing operations at many of our facilities. A decision by a governmental agency or other third parties to deny or delay issuing a new or renewed permit or approval, or to revoke or substantially modify an existing permit or approval, could have a material adverse effect on our ability to continue operations at the affected facility. Expansion of our existing operations is also predicated on securing the necessary environmental or other permits, water rights, or approvals, which we may not receive in a timely manner or at all.

Title to, and the area of, mineral properties and water rights may also be disputed. Mineral properties sometimes contain claims or transfer histories that examiners cannot verify. A successful claim that we do not have title to one or more of our properties or lack appropriate water rights could cause us to lose any rights to explore, develop, and extract any minerals on that property, without compensation for our prior expenditures relating to such property. Our business may suffer a material adverse effect in the event one or more of our properties are determined to have title deficiencies.

In some instances, we have received access rights or easements from third parties, which allow for a more efficient operation than would exist without the access or easement. A third party could take action to suspend the access or easement, and any such action could be materially adverse to our results of operations or financial conditions.

A cyber-attack or data security breach affecting our information technology systems may negatively affect our businesses, financial condition, and operating results.

We use information technology systems to collect, store, and transmit the data needed to operate our businesses, including our confidential and proprietary information. Although we have implemented industry-standard security safeguards and policies to prevent unauthorized access or disclosure of such information, we cannot prevent all cyber-attacks or data security breaches. If such an attack or breach occurs, our businesses could be negatively affected, and we could incur additional costs in remediating the attack or breach and suffer reputational harm due to the theft or disclosure of our confidential information.

We may pursue acquisitions, joint ventures and other transactions that are intended to complement or expand our businesses. We may not be able to complete proposed transactions, and even if completed, the transactions may involve a number of risks that may result in a material adverse effect on our business, financial condition, operating results, and cash flows.

As business conditions warrant and our financial resources permit, we may pursue opportunities to acquire businesses or technologies and to form joint ventures that we believe could complement, enhance, or expand our current businesses or product lines or that might otherwise offer us growth opportunities. We may have difficulty

identifying appropriate opportunities, or if we do identify opportunities, we may not be successful in completing transactions for a number of reasons. Any transactions that we are able to identify and complete may involve one or more of a number of risks, including:

- the diversion of management's attention from our existing businesses to integrate the operations and personnel of the acquired business or joint venture;
- possible adverse effects on our operating results during the integration process;
- failure of the acquired business or joint venture to achieve expected operational, profitability, and investment return objectives;
- the incurrence of significant charges, such as impairment of goodwill or intangible assets, asset devaluation, or restructuring charges;
- the assumption of unanticipated liabilities and costs for which indemnification is unavailable or inadequate;
- unforeseen difficulties encountered in operating in new geographic areas; and
- the inability to achieve other intended objectives of the transaction.

In addition, we may not be able to successfully or profitably integrate, operate, maintain, and manage our newly acquired operations or their employees. We may not be able to maintain uniform standards, controls, procedures, and policies, which may lead to operational inefficiencies. In addition, future acquisitions may result in dilutive issuances of equity securities or the incurrence of additional indebtedness.

Our bylaws include a forum selection clause, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us.

Our bylaws provide that, unless we consent in writing to the selection of an alternative forum, the sole and exclusive forum for (i) any internal corporate claims within the meaning of the Delaware General Corporation Law (DGCL), (ii) any derivative action or proceeding brought on our behalf, (iii) any action asserting a claim of breach of a fiduciary duty owed by any of our directors, officers, or employees to us or to our stockholders, or (iv) any action asserting a claim arising pursuant to any provision of the DGCL, will be a state or federal court located within the State of Delaware in all cases subject to the court's having personal jurisdiction over the indispensable parties named as defendants. Any person or entity purchasing or otherwise acquiring any interest in shares of our capital stock is deemed to have notice of and consented to the foregoing provisions. This forum selection provision in our bylaws may limit our stockholders' ability to obtain a favorable judicial forum for disputes with us. It is also possible that, notwithstanding the forum selection clause included in our bylaws, a court could rule that such a provision is inapplicable or unenforceable.

This report includes various forward-looking statements, which are not facts or guarantees of future performance and which are subject to significant risks and uncertainties.

This report and other materials we have filed or will file with the SEC, as well as information included in oral statements or other written statements made or to be made by us contain or may contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, Section 21E of the Exchange Act of 1934, and the Private Securities Litigation Reform Act of 1995. You can identify these statements by the fact that they do not relate to matters of a strictly factual or historical nature and generally discuss or relate to forecasts, estimates, or other expectations regarding future events. Generally, the words "believe," "expect," "intend," "estimate," "anticipate," "project," "n," "can," "could," "might," "will," and similar expressions identify forward-looking statements, including statements related to expected operating and performing results, planned transactions, plans, and objectives of management, future developments, or conditions in the industries in which we participate, including future prices for our products, audits, and legal proceedings to which we are a party, and other trends, developments, and uncertainties that may affect our business in the future.

Forward-looking statements are not historical facts or guarantees of future performance but instead represent only our beliefs at the time the statements were made regarding future events, which are subject to significant risks, uncertainties, and other factors, many of which are outside of our control. Any or all of the forward-looking

statements made by us may turn out to be materially inaccurate. This can occur as a result of incorrect assumptions, changes in facts and circumstances, or the effects of known risks and uncertainties. Many of the risks and uncertainties mentioned in this report or other reports filed by us with the SEC, including those discussed in the risk factor section of this report, will be important in determining whether these forward-looking statements prove to be accurate. Consequently, neither our stockholders nor any other person should place undue reliance on our forward-looking statements and should recognize that actual results may differ materially from those that may be anticipated by us.

All forward-looking statements made in this report are made as of the date hereof, and the risk that actual results will differ materially from expectations expressed in this report will increase with the passage of time. We undertake no obligation, and disclaim any duty, to publicly update or revise any forward-looking statements, whether as a result of new information, future events, changes in our expectations, or otherwise.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The disclosure required under this Item is included in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” of this Quarterly Report on Form 10-Q under the heading “Share Repurchases” and is incorporated herein by reference.

Item 4. Mine Safety Disclosures

The information concerning mine safety violations or other regulatory matters required by Section 1503 (a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act and Item 104 of Regulation S-K is included in Exhibit 95 to this Form 10-Q.

Item 6. Exhibits

- 31.1* Certification of the Chief Executive Officer of Eagle Materials Inc. pursuant to Rules 13a-14 and 15d-14 promulgated under the Securities Exchange Act of 1934, as amended.
- 31.2* Certification of the Chief Financial Officer of Eagle Materials Inc. pursuant to Rules 13a-14 and 15d-14 promulgated under the Securities Exchange Act of 1934, as amended.
- 32.1* Certification of the Chief Executive Officer of Eagle Materials Inc. pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2* Certification of the Chief Financial Officer of Eagle Materials Inc. pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 95* Mine Safety Disclosures.
- 101.INS* XBRL Instance Document.
- 101.SCH* XBRL Taxonomy Extension Schema Document.
- 101.CAL* XBRL Taxonomy Extension Calculation Linkbase Document.
- 101.DEF* XBRL Taxonomy Extension Definition Linkbase Document.
- 101.LAB* XBRL Taxonomy Extension Label Linkbase Document.
- 101.PRE* XBRL Taxonomy Extension Presentation Linkbase Document.

*Filed herewith.

⁽¹⁾Management contract or compensatory plan or arrangement.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

EAGLE MATERIALS INC.
Registrant

January 29, 2019 /s/ DAVID B. POWERS
David B. Powers

Chief Executive Officer

(principal executive officer)

January 29, 2019 /s/ D. CRAIG KESLER
D. Craig Kesler

Executive Vice President – Finance and

Administration and Chief Financial Officer

(principal financial officer)

January 29, 2019 /s/ WILLIAM R. DEVLIN
William R. Devlin

Senior Vice President – Controller and

Chief Accounting Officer

(principal accounting officer)