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Recommendation: **BUY**

UConn Student Managed Fund

Martin Marietta (NYSE: MLM)

December 22, 2020

Target Price: \$307.58
 Current Price: \$273.30
 Stop loss: \$219.56
 52 Week High/Low: \$135.08/\$287.51

Market Cap (\$B): \$17.07
 Dividend Yield: 0.83%
 Beta: 1.05
 ROE: 12.1%

P/E Ratio (TTM): 24.62x
 EV/EBITDA: 14.6x
 ROIC: 7.42%
 Profit Margin: 15.39%

Company Overview

Martin Marietta Materials, Inc., a natural resource-based building materials company, supplies aggregates and heavy building materials to the construction industry in the United States and internationally. It offers crushed stone, sand, and gravel products; ready mixed concrete and asphalt; paving products and services; Portland and specialty cement used in the infrastructure projects, and nonresidential and residential construction markets, as well as in the railroad, agricultural, utility, and environmental industries. The company also manufactures and markets magnesia-based chemical products for the industrial, agricultural, and environmental applications; and dolomitic lime primarily for customers in the steel and mining industries, as well as provides road paving construction services. Its chemical products are used in flame retardants, wastewater treatment, pulp and paper production, and other environmental applications. The company was founded in 1993 and is headquartered in Raleigh, North Carolina.

Industry Outlook

We see continuing revenue growth and margin expansion in the materials industry as government plans for infrastructure spending are anticipated to increase in the future. Years of historical under investment in infrastructure has left roads, transit, dams and other projects in despair. We also see population movements throughout the country accelerated due to Covid-19 as individuals choose to move away from urban areas.



Investment Thesis

Infrastructure Spending: The FAST Act (Fixing Americas surface transportation) began in 2016 which was a \$305 billion, five-year bill is funded without increasing transportation. Congress passed the continuing resolution for the FAST Act, appropriating an additional \$13.6 billion to the Highway Trust Fund. Every government reauthorization of infrastructure spending has increased over time. While FAST act is technically expiring, we are awaiting the next act and anticipate senate & house proposals to be significantly higher given the incumbent's communicated plans for infrastructure.

Strategic Locations: MLM has strategically positioned itself to be in locations that are destined to benefit from population growth, employment growth, low unemployment, business friendly environments and states w/ strong fiscal health. This will open up lucrative federal and state infrastructure projects to fund further development.

Investment Risks

COVID-19: As a result of the coronavirus lockdowns, infrastructure proposals have been delayed as government resources have been transitioned and new proposals have been postponed. Lower product demand as a result of lockdowns will stunt near term growth opportunities.

Competition: The materials sector is highly competitive and MLM is one of the top two players in their geography. Vulcan operates in similar mega regions and competes heavily.

M&A: MLM is currently updating their strategic plan for the next 5 years which has historically included significant acquisitions. In this plan they will outline their strategy involving business lines based upon their economic forecasts. Risks exist in which MLM is not able to get a return on their acquisition and misses out on growth prospects.