Martin Marietta Materials, Inc. (MLM)

Updated February 15th, 2025, by Ian Bezek

Key Metrics

Current Price:	$527	**5 Year CAGR Estimate:**	1.8%	**Market Cap:**	$32.7 B
Fair Value Price:	$416	**5 Year Growth Estimate:**	6.0%	**Ex-Dividend Date:**	03/03/25[1]
% Fair Value:	127%	**5 Year Valuation Multiple Estimate:**	-4.6%	**Dividend Payment Date:**	03/31/25[1]
Dividend Yield:	0.6%	**5 Year Price Target**	$556	**Years Of Dividend Growth:**	10
Dividend Risk Score:	C	**Retirement Suitability Score:**	F	**Rating:**	Sell

Overview & Current Events

Martin Marietta Materials is a materials company focused primarily on building and infrastructure products generally sourced from local mines and quarries. Some leading products include cement, asphalt, paving, and concrete. The company has a focus of operations in the South, Texas, and Florida. These regions have generally enjoyed strong demand for building materials in recent years.

The company's core aggregates business faces limited competition and thus can prosper during periods of high demand. The company's specialty chemical business has enjoyed an unusually strong operating environment in recent years. However, the positive post-pandemic momentum has now reversed itself. The first nine months of 2024 showed marked deceleration from recent growth trends, and Q4 results released February 12th, 2025 continued the negative tendency.

Revenues grew just 1% year-over-year to $1.63 billion, missing expectations. Adjusted earnings per share of $4.79 rose from $4.63 in the prior year. This was a modest improvement from prior quarters, where earnings had fallen outright. However, the combination of high interest rates and inclement weather disrupted normal construction patterns. MLM's full-year 2024 earnings fell 5% versus the prior year.

Management is still looking to the bright side, pointing to record levels of government-funded infrastructure spending along with increasing demand for artificial intelligence-related data center buildouts. However, after a full year of underwhelming results, we find it increasingly difficult to accept that the negative earnings trend is simply due to outside factors such as cold weather or hurricanes. The Fed's interest rate cuts may invigorate the construction market in 2025. But for now, MLM stock seems to reflect more optimism than its earnings outlook currently justifies.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	$4.26	$6.63	$7.16	$8.08	$9.74	$11.54	$12.28	$12.07	$18.82	$17.80	***$18.90***	***$25.29***
DPS	$1.60	$1.64	$1.72	$1.84	$2.06	$2.24	$2.36	$2.54	$2.80	$3.06	***$3.16***	***$4.43***
Shares[2]	64	63	63	63	62	62	62	62	62	62	***62***	***62***

Martin Marietta Materials has achieved a strong earnings growth track record over the past decade. It jumpstarted its expansion in 2014 with the $2.7 billion purchase of Texas Industries. The company continues to make acquisitions, albeit on a much smaller scale. In October 2024, it made bolt-on purchases in South Florida and Southern California which should help bolster the firm's position in these attractive markets.

The company had paused its dividend growth in the early 2010s. However, Martin Marietta Materials started to increase its dividend annually once it began to benefit from the Texas Industries acquisition. Following a small dividend bump in 2016, the company has been giving its shareholders more substantial increases. It announced its latest, a 7% hike, on August 15th, 2024.

Earnings per share growth of more than 17% annualized over the past decade has given the company wide latitude for dividend increases. That said, we believe future growth will slow as demand for construction materials levels off.

---

[1] Estimated date.

[2] In millions.

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.

Martin Marietta Materials, Inc. (MLM)

Updated February 15th, 2025, by Ian Bezek

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	34.4	26.9	30.2	25.2	23.7	19.7	29.4	24.2	23.9	31.2	***27.9***	***22.0***
Avg. Yld.	1.1%	0.9%	0.8%	0.9%	0.9%	1.0%	0.7%	0.8%	0.6%	0.6%	***0.6%***	***0.8%***

Martin Marietta Materials started off the 2010s with a high P/E ratio due to depressed earnings coming out of the 2008 housing bust. Following the Texas Industries acquisition, the company's P/E ratio started to move to more normal levels. While the company's P/E has been highly variable, we project that it will settle around 22 going forward.

Though the company's dividend yield has been over 1% in the past, the stock has been a growth equity in recent years and has ended up with a correspondingly lower yield. We expect the yield to remain below the 1% mark.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	38%	25%	24%	23%	21%	19%	19%	21%	15%	17%	***17%***	***18%***

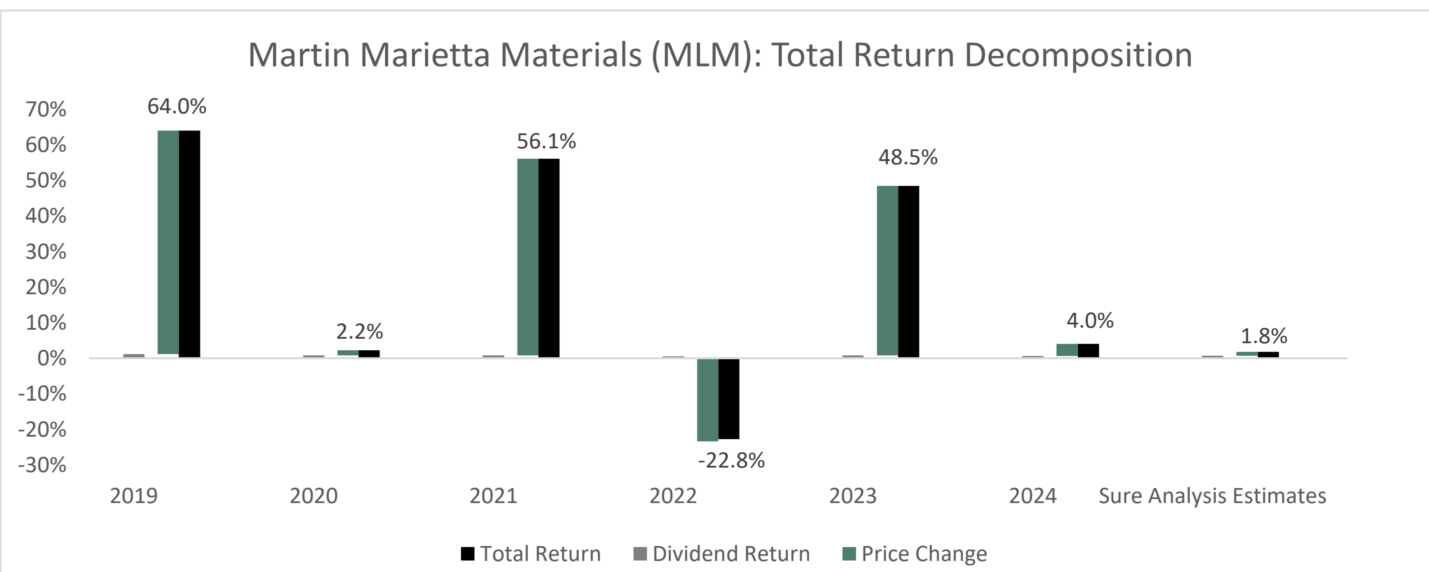
The building materials industry has a spotty track record in terms of consistent earnings growth and strong capital allocation. However, Martin Marietta Materials has historically exceeded its peers by a wide margin. That, combined with its favorable geographic positioning, has given the company a sustainable competitive advantage.

The company has $5.2 billion of long-term debt which is not inconsiderable compared to the size of its asset base. But the company's consistent earnings and strong interest coverage should keep it on fine financial footing and allow it to manage its liabilities. The dividend also seems safe, as the company has consistently settled on a payout ratio of 20% or less in recent years, leaving it well-covered by earnings.

Final Thoughts & Recommendation

Martin Marietta Materials has done a fine job delivering superior results in what is generally viewed to be a challenging industry. However, shares have sharply advanced over the past couple of years, and we do not believe the underlying business can generate nearly enough earnings growth to support its current valuation. The stock pulled back over the past quarter, but that seems justified given the muted earnings outlook. With a 1.8% total annualized return forecast, shares earn a sell rating.

Total Return Breakdown by Year



Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.

Martin Marietta Materials, Inc. (MLM)

Updated February 15th, 2025, by Ian Bezek

Income Statement Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue	2,958	3,540	3,819	3,966	4,244	4,739	4,730	5,414	6,161	6,777
Gross Profit	522	727	912	972	967	1,179	1,253	1,348	1,423	2,023
Gross Margin	17.7%	20.5%	23.9%	24.5%	22.8%	24.9%	26.5%	24.9%	23.1%	29.9%
SG&A Exp.	169	211	242	262	281	303	306	351	397	443
Operating Profit	358	501	678	709	704	885	1,007	1,032	1,216	1,608
Op. Margin	12.1%	14.1%	17.8%	17.9%	16.6%	18.7%	21.3%	19.1%	19.7%	23.7%
Net Profit	156	289	425	713	470	612	721	703	867	1,169
Net Margin	5.3%	8.2%	11.1%	18.0%	11.1%	12.9%	15.2%	13.0%	14.1%	17.2%
Free Cash Flow	149	262	302	247	329	573	690	715	509	878
Income Tax	95	125	182	(95)	106	136	168	153	235	293

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets	7,220	6,958	7,301	8,993	9,551	10,132	10,581	14,393	14,994	15,120
Cash & Equivalents	109	168	50	1,446	45	21	207	258	358	1,272
Acc. Receivable	421	411	458	487	523	574	575	774	786	747
Inventories	485	469	522	601	663	691	709	753	874	989
Goodwill & Int.	2,664	2,579	2,671	2,667	2,900	2,884	2,922	4,559	4,497	4,087
Total Liabilities	2,867	2,897	3,158	4,310	4,602	4,778	4,688	7,855	7,821	7,089
Accounts Payable	202	165	179	184	211	230	208	356	---	343
Long-Term Debt	1,586	1,579	1,686	3,027	3,120	2,774	2,626	5,101	5,040	4,345
Total Equity	4,351	4,057	4,140	4,680	4,946	5,351	5,891	6,535	7,173	8,033
LTD/E Ratio	0.36	0.39	0.41	0.65	0.63	0.52	0.45	0.78	0.70	0.54

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	3.0%	4.1%	6.0%	8.8%	5.1%	6.2%	7.0%	5.6%	5.9%	7.8%
Return on Equity	5.3%	6.9%	10.4%	16.2%	9.8%	11.9%	12.8%	11.3%	12.6%	15.4%
ROIC	3.6%	5.0%	7.4%	10.5%	6.0%	7.6%	8.7%	7.0%	7.3%	9.5%
Shares Out.	67	64	63	63	63	62	62	62	62	62
Revenue/Share	51.81	52.81	59.80	62.75	67.26	75.58	75.80	86.49	98.57	109.13
FCF/Share	2.62	3.91	4.72	3.91	5.22	9.13	11.06	11.42	8.15	14.14

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.