

Summit Materials, Inc.  
Form 10-Q  
November 03, 2015  
Table of Contents

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

**FORM 10-Q**

(Mark One)

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

**For the quarterly period ended September 26, 2015**

**OR**

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

**For the transition period from \_\_\_\_\_ to \_\_\_\_\_**

**Commission file numbers:**

**001-36873 (Summit Materials, Inc.)**

**333-187556 (Summit Materials, LLC)**

**SUMMIT MATERIALS, INC.**

**SUMMIT MATERIALS, LLC**

**(Exact name of registrants as specified in their charters)**

<b>Delaware (Summit Materials, Inc.)</b>	<b>47-1984212</b>
<b>Delaware (Summit Materials, LLC)</b>	<b>26-4138486</b>
<b>(State or other jurisdiction of</b>	<b>(I.R.S. Employer</b>
<b>incorporation or organization)</b>	<b>Identification No.)</b>
<b>1550 Wynkoop Street, 3<sup>rd</sup> Floor</b>	
<b>Denver, Colorado</b>	<b>80202</b>
<b>(Address of principal executive offices)</b>	<b>(Zip Code)</b>
<b>Registrants telephone number, including area code: (303) 893-0012</b>	

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

Summit Materials, Inc.	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
Summit Materials, LLC	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>

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

Summit Materials, Inc.	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
Summit Materials, LLC	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>

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

Summit Materials, Inc.

Edgar Filing: Summit Materials, Inc. - Form 10-Q

Large accelerated filer  Accelerated filer   
Non-accelerated filer  (Do not check if a smaller reporting company) Smaller reporting company   
Summit Materials, LLC

Large accelerated filer  Accelerated filer   
Non-accelerated filer  (Do not check if a smaller reporting company) Smaller reporting company   
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

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

As of October 27, 2015, the number of shares of Summit Materials, Inc. s outstanding Class A and Class B common stock, par value \$0.01 per share for each class, was 49,009,738 and 69,007,297, respectively.

As of October 27, 2015, 100% of Summit Materials, LLC s outstanding limited liability company interests were held by Summit Materials Intermediate Holdings, LLC, its sole member and an indirect subsidiary of Summit Materials, Inc.

---

**Table of Contents**

**EXPLANATORY NOTE**

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

Unless stated otherwise or the context requires otherwise, references to Summit Inc. mean Summit Materials, Inc., a Delaware corporation, and references to Summit LLC mean Summit Materials, LLC, a Delaware limited liability company. The references to Summit Inc. and Summit LLC are used in cases where it is important to distinguish between them. We use the terms we, our, us or the Company to refer to Summit Inc. and Summit LLC together with their respective subsidiaries, unless otherwise noted or the context otherwise requires.

Summit Inc. was formed on September 23, 2014 to be a holding company. As of September 26, 2015, its sole material asset was a 49.3% economic interest in Summit Materials Holdings L.P. (Summit Holdings). Summit Inc. has 100% of the voting rights of Summit Holdings, which is the indirect parent of Summit LLC. Summit LLC is a co-issuer of our outstanding 10 1/2% senior notes due 2020 (the 2020 Notes) and our 4% senior notes due 2023 (the 2023 Notes). Summit Inc.'s only revenue for the three and nine months ended September 26, 2015 is that generated by Summit LLC. Summit Inc. controls all of the business and affairs of Summit Holdings and, in turn, Summit LLC, as a result of its reorganization into a holding corporation structure (the Reorganization) consummated in connection with its initial public offering (IPO).

**CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS**

This report includes forward-looking statements within the meaning of the federal securities laws, which involve risks and uncertainties. Forward-looking statements include all statements that do not relate solely to historical or current facts, and you can identify forward-looking statements because they contain words such as believes, expects, may, will, should, seeks, intends, trends, plans, estimates, projects or anticipates or similar expressions that describe strategy, plans, expectations or intentions. All statements made relating to our estimated and projected earnings, margins, costs, expenditures, cash flows, growth rates and financial results are forward-looking statements. These forward-looking statements are subject to risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. We derive many of our forward-looking statements from our operating budgets and forecasts, which are based upon many detailed assumptions. While we believe that our assumptions are reasonable, it is very difficult to predict the effect of known factors, and, of course, it is impossible to anticipate all factors that could affect our actual results. In light of the significant uncertainties inherent in the forward-looking statements included herein, the inclusion of such information should not be regarded as a representation by us or any other person that the results or conditions described in such statements or our objectives and plans will be realized. Important factors could affect our results and could cause results to differ materially from those expressed in our forward-looking statements, including but not limited to the factors discussed in the section entitled Risk Factors in Summit Inc.'s prospectus (the Prospectus), as filed with the Securities and Exchange Commission (the SEC) on August 7, 2015, any factors discussed in the section entitled Risk Factors of this report, and the following:

our dependence on the construction industry and the strength of the local economies in which we operate;

the cyclical nature of our business;

risks related to weather and seasonality;

risks associated with our capital-intensive business;

competition within our local markets;

our ability to execute on our acquisition strategy, successfully integrate acquisitions with our existing operations and retain key employees of acquired businesses;

our dependence on securing and permitting aggregate reserves in strategically located areas;

declines in public infrastructure construction and reductions in governmental funding, including the funding by transportation authorities and other state agencies;

environmental, health, safety and climate change laws or governmental requirements or policies concerning zoning and land use;

**Table of Contents**

conditions in the credit markets;

our ability to accurately estimate the overall risks, requirements or costs when we bid on or negotiate contracts that are ultimately awarded to us;

material costs and losses as a result of claims that our products do not meet regulatory requirements or contractual specifications;

cancellation of a significant number of contracts or our disqualification from bidding for new contracts;

special hazards related to our operations that may cause personal injury or property damage not covered by insurance;

our substantial current level of indebtedness;

our dependence on senior management and other key personnel;

interruptions in our information technology systems and infrastructure; and

other factors as described in the Prospectus.

All subsequent written and oral forward-looking statements attributable to us, or persons acting on our behalf, are expressly qualified in their entirety by these cautionary statements.

Any forward-looking statement that we make herein speaks only as of the date of this report. We undertake no obligation to publicly update or revise any forward-looking statement as a result of new information, future events or otherwise, except as required by law.

**CERTAIN DEFINITIONS**

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

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

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

Edgar Filing: Summit Materials, Inc. - Form 10-Q

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

Alleyton refers collectively to Alleyton Resource Company, LLC, Alcomat, LLC and Alleyton Services Company, LLC, formerly Alleyton Resource Corporation, Colorado Gulf, LP and certain assets of Barten Shepard Investments, LP.;

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

Lafarge refers to Lafarge North America Inc.;

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

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

LeGrand refers to LeGrand Johnson Construction Co.

**Table of Contents**

**SUMMIT MATERIALS, INC.**

**SUMMIT MATERIALS, LLC**

**FORM 10-Q**

**TABLE OF CONTENTS**

	<b>Page No.</b>
<b><u>PART I Financial Information</u></b>	
Item 1. <u>Financial Statements for Summit Materials, Inc.</u>	1
<u>Unaudited Consolidated Balance Sheets as of September 26, 2015 and December 27, 2014</u>	1
<u>Unaudited Consolidated Statements of Operations for the three and nine months ended September 26, 2015 and September 27, 2014</u>	2
<u>Unaudited Consolidated Statements of Comprehensive Income (Loss) for the three and nine months ended September 26, 2015 and September 27, 2014</u>	3
<u>Unaudited Consolidated Statements of Cash Flows for the nine months ended September 26, 2015 and September 27, 2014</u>	4
<u>Unaudited Consolidated Statements of Changes in Redeemable Noncontrolling Interest and Stockholders Equity for the nine months ended September 26, 2015 and September 27, 2014</u>	5
<u>Notes to Unaudited Consolidated Financial Statements</u>	6
<u>Financial Statements for Summit Materials, LLC</u>	21
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	22
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	41
Item 4. <u>Controls and Procedures</u>	41
<b><u>PART II Other Information</u></b>	
Item 1. <u>Legal Proceedings</u>	43
Item 1A. <u>Risk Factors</u>	43
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	43
Item 3. <u>Defaults Upon Senior Securities</u>	43
Item 4. <u>Mine Safety Disclosures</u>	43
Item 5. <u>Other Information</u>	43
Item 6. <u>Exhibits</u>	43
<u>SIGNATURES</u>	46



**Table of Contents****PART I FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS****SUMMIT MATERIALS, INC. AND SUBSIDIARIES**

## Unaudited Consolidated Balance Sheets

(In thousands, except share and per share amounts)

	<b>September 26, 2015</b>	<b>December 27, 2014</b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 18,987	\$ 13,215
Accounts receivable, net	205,939	141,302
Costs and estimated earnings in excess of billings	34,175	10,174
Inventories	138,036	111,553
Other current assets	21,762	17,172
Total current assets	418,899	293,416
Property, plant and equipment, less accumulated depreciation, depletion and amortization (September 26, 2015 - \$343,087 and December 27, 2014 - \$279,375)	1,276,227	950,601
Goodwill	567,836	419,270
Intangible assets, less accumulated amortization (September 26, 2015 - \$4,851 and December 27, 2014 - \$3,073)	15,481	17,647
Other assets	51,798	48,843
Total assets	\$ 2,330,241	\$ 1,729,777
<b>Liabilities, Redeemable Noncontrolling Interest and Stockholders</b>		
<b>Equity/Partners Interest</b>		
Current liabilities:		
Current portion of debt	\$ 68,125	\$ 5,275
Current portion of acquisition-related liabilities	20,191	18,402
Accounts payable	113,226	78,854
Accrued expenses	90,880	101,496
Billings in excess of costs and estimated earnings	11,005	8,958
Total current liabilities	303,427	212,985
Long-term debt	1,148,068	1,059,642
Acquisition-related liabilities	41,978	42,736
Other noncurrent liabilities	114,575	93,691

Edgar Filing: Summit Materials, Inc. - Form 10-Q

Total liabilities	1,608,048	1,409,054
Commitments and contingencies (see note 12)		
Redeemable noncontrolling interest		33,740
Stockholders' equity/partners' interest:		
Class A common stock, par value \$0.01 per share; 1,000,000,000 shares authorized, 49,009,738 shares issued and outstanding as of September 26, 2015	490	
Class B common stock, par value \$0.01 per share; 250,000,000 shares authorized, 69,007,297 shares issued and outstanding as of September 26, 2015	690	
Partners' interest		285,685
Additional paid-in capital	600,204	
Accumulated earnings	4,355	
Accumulated other comprehensive loss	(2,607)	
Stockholders' equity/partners' interest:	603,132	285,685
Noncontrolling interest in consolidated subsidiaries	1,271	1,298
Noncontrolling interest in Summit Materials, Inc.	117,790	
Total stockholders' equity/partners' interest	722,193	286,983
Total liabilities, redeemable noncontrolling interest and stockholders' equity/partners' interest	\$ 2,330,241	\$ 1,729,777

See notes to unaudited consolidated financial statements.

**Table of Contents****SUMMIT MATERIALS, INC. AND SUBSIDIARIES**

## Unaudited Consolidated Statements of Operations

(In thousands, except share and per share amounts)

	<b>Three months ended</b>		<b>Nine months ended</b>	
	<b>September 26,</b>	<b>September 27,</b>	<b>September 26,</b>	<b>September 27,</b>
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
<b>Revenue:</b>				
Product	\$ 338,020	\$ 258,860	\$ 748,210	\$ 580,351
Service	88,266	89,276	182,224	196,214
Net revenue	426,286	348,136	930,434	776,565
Delivery and subcontract revenue	45,619	46,623	100,401	93,580
Total revenue	471,905	394,759	1,030,835	870,145
<b>Cost of revenue (excluding items shown separately below):</b>				
Product	207,500	176,967	490,923	411,581
Service	59,280	61,907	128,514	140,773
Net cost of revenue	266,780	238,874	619,437	552,354
Delivery and subcontract cost	45,619	46,623	100,401	93,580
Total cost of revenue	312,399	285,497	719,838	645,934
General and administrative expenses	42,539	35,517	149,484	105,872
Depreciation, depletion, amortization and accretion	33,306	23,255	86,818	63,950
Transaction costs	304	2,741	8,044	7,737
Operating income	83,357	47,749	66,651	46,652
Other income, net	(1,171)	(1,408)	(678)	(2,299)
Loss on debt financings	32,641		64,313	
Interest expense	20,727	22,085	62,231	62,555
Income (loss) from continuing operations before taxes	31,160	27,072	(59,215)	(13,604)
Income tax benefit	(2,655)	(1,038)	(12,468)	(2,498)
Income (loss) from continuing operations	33,815	28,110	(46,747)	(11,106)
Income from discontinued operations	(57)	(7)	(815)	(356)
Net income (loss)	33,872	28,117	(45,932)	(10,750)

Edgar Filing: Summit Materials, Inc. - Form 10-Q

Net income (loss) attributable to noncontrolling interest in subsidiaries	52	1,243	(1,917)	674
Net income (loss) attributable to Summit Holdings	19,109	\$ 26,874	(48,370)	\$ (11,424)
Net income attributable to Summit Materials, Inc.	\$ 14,711		\$ 4,355	
Net income per share of Class A common stock:				
Basic	\$ 0.39		\$ 0.14	
Diluted	\$ 0.39		\$ 0.14	
Weighted average shares of Class A common stock:				
Basic	37,920,452		31,768,406	
Diluted	37,963,930		31,811,315	
See notes to unaudited consolidated financial statements.				

Table of Contents**SUMMIT MATERIALS, INC. AND SUBSIDIARIES**

## Unaudited Consolidated Statements of Comprehensive Income (Loss)

(In thousands)

	<b>Three months ended</b>		<b>Nine months ended</b>	
	<b>September 26,</b>	<b>September 27,</b>	<b>September 26,</b>	<b>September 27,</b>
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
Net income (loss)	\$ 33,872	\$ 28,117	\$ (45,932)	\$ (10,750)
Other comprehensive (loss) income:				
Postretirement curtailment adjustment				(1,346)
Postretirement liability adjustment				2,164
Foreign currency translation adjustment	(6,296)	(1,764)	(11,531)	(1,764)
Loss on cash flow hedges	(1,010)		(1,010)	
Other comprehensive loss	(7,306)	(1,764)	(12,541)	(946)