

EAGLE MATERIALS INC
Form 10-Q
July 26, 2016

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

June 30, 2016

Commission File Number 1-12984

Eagle Materials Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

75-2520779

(I.R.S. Employer Identification No.)

3811 Turtle Creek Blvd., Suite 1100, Dallas, Texas 75219

(Address of principal executive offices)

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(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

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 during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

YES NO

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 definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

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.)

Yes No

As of July 20, 2016, the number of outstanding shares of common stock was:

Class	Outstanding Shares
Common Stock, \$.01 Par Value	48,236,511

Eagle Materials Inc. and Subsidiaries

Form 10-Q

June 30, 2016

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Eagle Materials Inc. and Subsidiaries

Consolidated Statements of Earnings

(dollars in thousands, except share data)

(unaudited)

	For the Three Months Ended June 30,	
	2016	2015
Revenues	\$297,504	\$284,963
Cost of Goods Sold	225,549	223,866
Gross Profit	71,955	61,097
Equity in Earnings of Unconsolidated Joint Venture	7,980	7,830
Corporate General and Administrative Expense	(9,833)	(8,991)
Other Income	1,075	435
Interest Expense, Net	(3,901)	(4,486)
Earnings Before Income Taxes	67,276	55,885
Income Tax Expense	(21,932)	(18,123)
Net Earnings	\$45,344	\$37,762
EARNINGS PER SHARE:		
Basic	\$0.94	\$0.76
Diluted	\$0.93	\$0.75
AVERAGE SHARES OUTSTANDING:		
Basic	48,014,195	49,767,424
Diluted	48,522,207	50,450,908
CASH DIVIDENDS PER SHARE:		
	\$0.10	\$0.10

See notes to unaudited consolidated financial statements.

Eagle Materials Inc. and Subsidiaries

Consolidated Statements of Comprehensive Earnings

(unaudited – dollars in thousands)

	For the Three Months Ended June 30,	
	2016	2015
Net Earnings	\$ 45,344	\$ 37,762
Change in Funded Status of Defined Benefit Plans:		
Amortization of Net Actuarial Loss	500	319
Tax Expense	(188)	(188)
Comprehensive Earnings	\$ 45,656	\$ 37,893

See notes to unaudited consolidated financial statements.

Eagle Materials Inc. and Subsidiaries

Consolidated Balance Sheets

(dollars in thousands)

	June 30, 2016 (unaudited)	March 31, 2016
ASSETS		
Current Assets -		
Cash and Cash Equivalents	\$9,180	\$5,391
Accounts and Notes Receivable	142,298	120,221
Inventories	240,999	243,595
Income Tax Receivable	—	5,623
Prepaid and Other Assets	8,020	5,173
Total Current Assets	400,497	380,003
Property, Plant and Equipment -	2,083,592	2,072,776
Less: Accumulated Depreciation	(837,242)	(817,465)
Property, Plant and Equipment, net	1,246,350	1,255,311
Notes Receivable	2,652	2,672
Investment in Joint Venture	48,700	49,465
Goodwill and Intangible Assets	163,298	165,827
Other Assets	27,588	30,357
	\$1,889,085	\$1,883,635
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities -		
Accounts Payable	\$61,322	\$66,614
Accrued Liabilities	40,509	45,975
Income Taxes Payable	9,919	—
Current Portion of Long-term Debt	8,000	8,000
Total Current Liabilities	119,750	120,589
Long-term Debt	490,714	499,714
Other Long-term Liabilities	58,642	61,122
Deferred Income Taxes	163,536	161,679
Total Liabilities	832,642	843,104
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 48,391,969 and 48,526,843 Shares, respectively	484	485
Capital in Excess of Par Value	144,076	168,969
Accumulated Other Comprehensive Losses	(11,097)	(11,409)
Retained Earnings	922,980	882,486

Total Stockholders' Equity	1,056,443	1,040,531
	\$1,889,085	\$1,883,635

See notes to the unaudited consolidated financial statements.

Eagle Materials Inc. and Subsidiaries

Consolidated Statements of Cash Flows

(unaudited – dollars in thousands)

For the Three
Months Ended
June 30,
2016 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Earnings	\$45,344	\$37,762
Adjustments to Reconcile Net Earnings to Net Cash Provided by Operating Activities -		
Depreciation, Depletion and Amortization	22,863	24,264
Deferred Income Tax Provision	1,822	(4,369)
Stock Compensation Expense	2,594	4,018
Excess Tax Benefits from Share Based Payment Arrangements	(3,299)	(1,142)
Equity in Earnings of Unconsolidated Joint Venture	(7,980)	(7,830)
Distributions from Joint Venture	8,750	6,245
Changes in Operating Assets and Liabilities:		
Accounts and Notes Receivable	(22,057)	(22,075)
Inventories	2,596	723
Accounts Payable and Accrued Liabilities	(12,913)	(26,852)
Other Assets	(2,478)	75
Income Taxes Payable	18,841	9,796
Net Cash Provided by Operating Activities	54,083	20,615
CASH FLOWS FROM INVESTING ACTIVITIES		
Property, Plant and Equipment Additions	(8,978)	(27,122)
Net Cash Used in Investing Activities	(8,978)	(27,122)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (Decrease) in Credit Facility	(9,000)	11,000
Dividends Paid to Stockholders	(4,828)	(5,025)
Purchase and Retirement of Common Stock	(39,135)	—
Shares Redeemed to Settle Employee Taxes on Stock Compensation	(2,284)	(1,523)
Proceeds from Stock Option Exercises	10,632	950
Excess Tax Benefits from Share Based Payment Arrangements	3,299	1,142
Net Cash Provided by (Used in) Financing Activities	(41,316)	6,544
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,789	37
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	5,391	7,514
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$9,180	\$7,551

See notes to the unaudited consolidated financial statements.

Eagle Materials Inc. and Subsidiaries

Notes to Unaudited Consolidated Financial Statements

June 30, 2016

(A) BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements as of and for the three month period ended June 30, 2016 include the accounts of Eagle Materials Inc. (“Eagle” or “Parent”) 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 25, 2016.

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 and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“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. The standard will be effective for us in the first quarter of fiscal 2019. We will adopt the new standard using the modified retrospective approach, which requires the standard be applied only to the most current period presented, with the cumulative effect of initially applying the standard recognized at the date of initial application. We are currently evaluating the impact of this ASU.

In March 2016, the Financial Accounting Standards Board, or FASB, issued Accounting Standards Update, or ASU, 2016-09, “Improvements to Employee Share-Based Payment Accounting,” which provides for simplification of certain aspects of employee share-based payment accounting, including income taxes, classification of awards as either equity or liabilities, and classification on the statement of cash flows. The standard will be effective for us in the first quarter of fiscal 2018 and will be applied either prospectively, retrospectively or using a modified retrospective transition approach depending on the area covered in this update. We are currently assessing the impact of the ASU on our consolidated financial statements and disclosures.

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 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.

(B) CASH FLOW INFORMATION—SUPPLEMENTAL

Cash payments made for interest were \$5.3 million and \$6.6 million for the three months ended June 30, 2016 and 2015, respectively. Net payments made for federal and state income taxes during the three months ended June 30, 2016 and 2015, were \$1.6 million and \$11.8 million, respectively.

(C) ACCOUNTS AND NOTES RECEIVABLE

Accounts and notes receivable have been shown net of the allowance for doubtful accounts of \$10.3 million and \$10.2 million at June 30, 2016 and March 31, 2016, 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 \$2.8 million at June 30, 2016, of which approximately \$0.2 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 LIBOR plus 3.5%. Remaining unpaid amounts, plus accrued interest, mature in March 2017. 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 focusing on the timeliness of payments, review of credit history and credit metrics and interaction with the borrowers.

(D) STOCKHOLDERS' EQUITY

A summary of changes in stockholders' equity follows:

	For the Three Months	
	Ended June 30, 2016	
	(dollars in thousands)	
Common Stock –		
Balance at Beginning of Period	\$ 485	
Purchase and Retirement of Common Stock	(6)
Issuance of Restricted Stock	1	
Stock Option Exercises	4	
Balance at End of Period	484	
Capital in Excess of Par Value –		
Balance at Beginning of Period	168,969	
Stock Compensation Expense	2,593	
Shares Redeemed to Settle Employee Taxes	(2,284)
Purchase and Retirement of Common Stock	(39,129)
Tax Benefit of Stock Option Exercises	3,299	
Stock Option Exercises	10,628	
Balance at End of Period	144,076	
Retained Earnings –		
Balance at Beginning of Period	882,486	
Dividends Declared to Stockholders	(4,850)
Net Earnings	45,344	
Balance at End of Period	922,980	
Accumulated Other Comprehensive Loss -		
Balance at Beginning of Period	(11,409)
Change in Funded Status of Pension Plan, net of tax	312	
Balance at End of Period	(11,097)
Total Stockholders' Equity	\$ 1,056,443	

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During the three months ended June 30, 2016, we repurchased 525,000 shares, at an average price of \$74.55. Subsequent to June 30, 2016, we purchased an additional 182,500 shares at an average price of \$77.48. Including the shares purchased subsequent to quarter end, we have authorization to purchase an additional 4,898,500 shares.

(E) INVENTORIES

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

	As of	
	June 30,	March 31,
	2016	2016
	(dollars in thousands)	
Raw Materials and Material-in-Progress	\$ 120,679	\$ 119,060
Finished Cement	21,785	21,834
Gypsum Wallboard	6,422	5,839
Frac Sand	4,831	5,501
Aggregates	9,493	10,660
Paperboard	5,986	7,575
Repair Parts and Supplies	66,929	68,155
Fuel and Coal	4,874	4,971
	\$ 240,999	\$ 243,595

(F) ACCRUED EXPENSES

Accrued expenses consist of the following:

	As of	
	June 30,	March 31,
	2016	2016
	(dollars in thousands)	
Payroll and Incentive Compensation	\$ 13,800	\$ 19,956
Benefits	11,054	10,663
Interest	1,791	3,373
Property Taxes	5,079	4,186
Power and Fuel	1,248	1,390
Sales and Use Tax	801	1,486
Legal	2,254	549
Other	4,482	4,372
	\$ 40,509	\$ 45,975

(G) 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 2016, the Compensation Committee approved the granting of an aggregate of 91,074 performance vesting stock options pursuant to the Plan to certain officers and key employees that will be earned if certain performance conditions are satisfied (the “Fiscal 2017 Employee Performance Stock Option Grant”). The performance criterion for the Fiscal 2017 Employee Performance Stock Option Grant is based upon the achievement of certain levels of return on equity (as defined in the option agreements), ranging from 11.0% to 18.0%, for the fiscal year ending March 31, 2017. All stock options will be earned if the return on equity is

18.0% or greater, and the percentage of shares earned will be reduced proportionately to approximately 66.7% if the return on equity is 11.0%. If the Company does not achieve a return on equity of at least 11.0%, 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 first fourth lapsing promptly following the determination date, and the remaining restrictions lapsing on March 31, 2018 through 2020. The stock options have a term of ten years from the date of grant. The Compensation Committee also approved the granting of 75,896 time vesting stock options to the same officers and key employees, which vest ratably over four years (the "Fiscal 2017 Employee Time Vesting Stock Option Grant"). The Fiscal 2017 Employee Performance Stock Option Grant and Fiscal 2017 Employee Time Vesting 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 model to value the option awards in fiscal 2016 are as follows:

	Fiscal 2017
Dividend Yield	1.3%
Expected Volatility	36.5%
Risk Free Interest Rate	1.4%
Expected Life	6.0 years

Stock option expense for all outstanding stock option awards totaled approximately \$1.2 million and \$2.0 million for the three months ended June 30, 2016 and 2015, respectively. At June 30, 2016, there was approximately \$10.3 million of unrecognized compensation cost related to outstanding stock options, net of estimated forfeitures, which is expected to be recognized over a weighted-average period of 2.8 years.

The following table represents stock option activity for the three month period ended June 30, 2016:

	Number of Shares	Weighted- Average Exercise Price
Outstanding Options at Beginning of Period	1,817,763	\$ 53.03
Granted	174,470	\$ 75.78
Exercised	(330,341)	\$ 33.70
Cancelled	(16,840)	\$ 67.92
Outstanding Options at End of Period	1,645,052	\$ 59.15
Options Exercisable at End of Period	1,060,879	\$ 49.56
Weighted-Average Fair Value of Options Granted during the Period	\$24.42	

The following table summarizes information about stock options outstanding at June 30, 2016:

	Outstanding Options	Exercisable Options
Range of Exercise Prices		

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	Number of Shares Outstanding	Weighted - Average Remaining Contractual Life	Weighted - Average Exercise Price	Number of Shares Outstanding	Weighted - Average Exercise Price
\$23.17 – \$ 30.74	349,570	3.58	\$ 25.90	348,570	\$ 25.89
\$33.43 – \$ 37.95	281,973	5.76	\$ 34.05	272,973	\$ 33.97
\$53.22 – \$ 77.67	455,765	8.29	\$ 69.93	171,545	\$ 67.07
\$79.73 – \$ 93.56	557,744	8.50	\$ 83.88	267,791	\$ 85.04
	1,645,052	6.93	\$ 59.15	1,060,879	\$ 49.56

At June 30, 2016, the aggregate intrinsic value for outstanding and exercisable options was approximately \$29.6 million and \$29.3 million, respectively. The total intrinsic value of options exercised during the three months ended June 30, 2016 was approximately \$13.2 million.

Restricted Stock. In May 2016, the Compensation Committee approved the granting of an aggregate of 63,029 shares of performance vesting restricted stock to certain officers and key employees that will be earned if certain performance conditions are satisfied (the “Fiscal 2017 Employee Restricted Stock Performance Award”). The performance criterion for the Fiscal 2017 Employee Restricted Stock Performance Award is based upon the achievement of certain levels of return on equity (as defined in the award agreement), ranging from 11.0% to 18.0%, for the fiscal year ending March 31, 2017. All restricted shares will be earned if the return on equity is 18.0% or greater, and the percentage of shares earned will be reduced proportionately to approximately 66.7% if the return on equity is 11.0%. If the Company does not achieve a return on equity of at least 11.0%, all awards will be forfeited. Following any such reduction, restrictions on the earned shares will lapse ratably over four years, with the first fourth lapsing promptly following the determination date, and the remaining restrictions lapsing on March 31, 2018 through 2020. The Compensation Committee also approved the granting of 52,527 shares of time vesting restricted stock to the same officers and key employees, which vest ratably over four years (the “Fiscal 2017 Employee Restricted Stock Time Vesting Award”). Both of the Fiscal 2017 Employee Restricted Stock Performance Award and the Fiscal 2017 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.

Expense related to restricted shares was approximately \$1.4 million and \$2.0 million for the three months ended June 30, 2016 and 2015, respectively. At June 30, 2016, there was approximately \$20.4 million of unearned compensation from restricted stock, net of estimated forfeitures, 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 4,341,783 at June 30, 2016.

(H) COMPUTATION OF EARNINGS PER SHARE

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

	For the Three Months	
	Ended June 30,	
	2016	2015
Weighted-Average Shares of Common Stock Outstanding	48,014,195	49,767,424
Common Equivalent Shares:		
Assumed Exercise of Outstanding Dilutive Options	1,039,189	1,328,364
Less: Shares Repurchased from Assumed Proceeds of Assumed Exercised Options		
	(715,139)	(876,472)
Restricted Shares	183,962	231,592
Weighted-Average Common and Common Equivalent Shares Outstanding	48,522,207	50,450,908
Shares Excluded Due to Anti-dilution Effects	692,219	457,687

(I) PENSION AND EMPLOYEE BENEFIT PLANS

We sponsor several defined benefit and defined contribution pension plans which together cover substantially all our employees. Benefits paid under the defined benefit plans covering certain hourly employees are based on years of service and the employee's 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	
	June 30,	
	2016	2015
	(dollars in thousands)	
Service Cost – Benefits Earned During the Period	\$ 222	\$ 231
Interest Cost of Benefit Obligations	399	381
Expected Return on Plan Assets	(416)	(430)
Recognized Net Actuarial Loss	425	433
Amortization of Prior-Service Cost	75	75
Net Periodic Pension Cost	\$ 705	\$ 690

(J) INCOME TAXES

Income taxes for the interim period 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 effective tax rate for the three months ended June 30, 2016 was approximately 33%, which was relatively consistent with the effective tax rate for the three months ended June 30, 2015.

(K) LONG-TERM DEBT

Long-term debt consists of the following:

	As of	
	June 30,	March 31,
	2016	2016
	(dollars in thousands)	
Credit Facility	\$ 373,000	\$ 382,000
Senior Unsecured Notes	125,714	125,714
Total Debt	498,714	507,714
Less: Current Portion of Long-term Debt	(8,000)	(8,000)
Total Debt	\$ 490,714	\$ 499,714

Credit Facility –

We have a \$500.0 million revolving credit facility (the “Credit Facility”), including a swingline loan sublimit of \$25.0 million, which is scheduled to expire on October 30, 2019. Borrowings under the Credit Facility are guaranteed by substantially all of the Company’s subsidiaries. At the option of the Company, outstanding principal amounts on the Credit Facility bear interest at a variable rate equal to (i) the London Interbank Offered Rate (“LIBOR”) for the selected period, plus an applicable rate (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). Interest payments are payable, in the case of loans bearing interest at a rate based on the federal funds rate, quarterly, or in the case of loans bearing interest at a rate based on LIBOR, at the end of the applicable interest period. 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 \$373.0 million of borrowings outstanding at June 30, 2016. Based on our Leverage Ratio, we had \$116.3 million of available borrowings, net of the outstanding letters of credit, at June 30, 2016.

The Credit Facility has a \$50.0 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 June 30, 2016, we had \$10.7 million of letters of credit outstanding.

Senior Unsecured Notes -

We entered into a Note Purchase Agreement on November 15, 2005 (the “2005 Note Purchase Agreement”) in connection with our sale of \$200 million of senior unsecured notes, designated as Series 2005A Senior Notes (the “Series 2005A Senior Notes”) in a private placement transaction. The Series 2005A Senior Notes, which are guaranteed by substantially all of our subsidiaries, were sold at par and issued in three tranches. At June 30, 2016, the amount outstanding for the remaining tranche is as follows:

	Principal	Maturity Date	Interest Rate
Tranche C	\$57.2 million	November 15, 2017	5.48%

Interest for this tranche of Series 2005A Senior Notes is payable semi-annually on May 15 and the November 15 of each year until all principal is paid.

We also entered into an additional Note Purchase Agreement on October 2, 2007 (the “2007 Note Purchase Agreement”) in connection with our sale of \$200 million of senior unsecured notes, designated as Series 2007A Senior Notes (the “Series 2007A Senior Notes” and together with the Series 2005A Senior Notes, the “Private Placement Senior Notes”) in a private placement transaction. The Series 2007A Senior Notes, which are guaranteed by substantially all of our subsidiaries, were sold at par and issued in four tranches. At June 30, 2016, the amounts outstanding for each of the remaining tranches were as follows:

	Principal	Maturity Date	Interest Rate
Tranche B	\$8.0 million	October 2, 2016	6.27%
Tranche C	\$24.0 million	October 2, 2017	6.36%
Tranche D	\$36.5 million	October 2, 2019	6.48%

Interest for each tranche of 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 2005 Note Purchase Agreement and 2007 Note Purchase Agreement (together, the “Private Placement Note Purchase Agreements”) and the Private Placement Senior Notes are equal in right of payment with all other senior, unsecured indebtedness of the Company, including our indebtedness under the Credit Facility. The Private Placement Note Purchase Agreements contain 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 Private Placement Note Purchase Agreements require 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 to 1.00 or less. The 2007 Note Purchase Agreement requires us 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

revenues 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 revenues of the Company and its Subsidiaries during such period. We were in compliance with all financial ratios and tests at June 30, 2016.

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 Private Placement Note Purchase Agreements) on the Private Placement Senior Notes and the other payment and performance obligations of the Company contained in the Private Placement Senior Notes and in the Private Placement Note Purchase Agreements. 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 Private Placement Senior 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 Private Placement Senior 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 Private Placement Senior Notes being prepaid.

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 are the holder of all of the outstanding industrial revenue bonds, no debt is reflected on our financial statements in connection with our lease of the cement plant. At the conclusion of the lease in fiscal 2021, we have the option to purchase the cement plant for a nominal amount.

(L) SEGMENT INFORMATION

Operating segments are defined as components of an enterprise that engage in business activities that earn revenues, 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.

We operate in five business segments: Cement, Gypsum Wallboard, Recycled Paperboard, Oil and Gas Proppants and Concrete and Aggregates. These operations are conducted in the U.S. and include the mining of limestone and the manufacture, production, distribution and sale of Portland cement and slag (basic construction materials which are the essential binding ingredient in concrete), the grinding the mining of gypsum and 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 and the mining and sale of aggregates (crushed stone, sand and gravel) and sand used in hydraulic fracturing (“frac sand”). The products that we manufacture, distribute and sell are basic materials used with broad application as construction products, building materials, and basic materials used for oil and natural gas extraction. Our construction products are used in residential, industrial, commercial and infrastructure construction and include cement, slag, concrete and aggregates. Our building materials are sold into similar markets and include gypsum wallboard. Our basic materials used for oil and natural gas extraction include frac sand and oil well cement.

We operate six cement plants, one slag grinding facility, sixteen cement distribution terminals, five gypsum wallboard plants, including the plant idled in Bernalillo, N.M., a gypsum wallboard distribution center, a recycled paperboard mill, seventeen readymix concrete batch plant locations, four aggregates processing plant locations, two frac sand processing facilities, including the mine idled in Utica, Illinois, three frac sand drying facilities, including the facility idled in Corpus Christi, Texas, and six frac sand trans-load locations. The principal markets for our cement products are Texas, northern Illinois (including Chicago), the central plains, the Rocky Mountains, northern Nevada, and northern California. Gypsum wallboard and recycled paperboard are distributed 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, north of Sacramento, California and the greater Kansas City, Missouri area, while frac sand is currently sold into shale deposit zones across the United States.

We conduct one of our six 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 revenues and operating earnings, which is 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 June 30,	
	2016	2015
	(dollars in thousands)	
Revenues -		
Cement	\$ 144,792	\$ 128,176
Gypsum Wallboard	113,262	115,052
Paperboard	42,815	35,318
Oil and Gas Proppants	5,096	22,825
Concrete and Aggregates	34,751	28,532
Sub-total	340,716	329,903
Less: Intersegment Revenues	(18,324)	(17,929)
Net Revenues, including Joint Venture	322,392	311,974
Less: Joint Venture	(24,888)	(27,011)
Net Revenues	\$ 297,504	\$ 284,963

	For the Three Months Ended June 30,	
	2016	2015
	(dollars in thousands)	
Intersegment Revenues -		
Cement	\$ 3,535	\$ 3,126
Paperboard	14,506	14,551
Concrete and Aggregates	283	252
	\$ 18,324	\$ 17,929

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Cement Sales Volume (in thousands of tons) -

Wholly –owned Operations	1,033	991
Joint Venture	218	212
	1,251	1,203

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	For the Three Months Ended June 30,	
	2016	2015
	(dollars in thousands)	
Operating Earnings -		
Cement	\$ 31,600	\$ 25,713
Gypsum Wallboard	39,336	40,894
Paperboard	11,227	6,030
Oil and Gas Proppants	(5,912)	(5,636)
Concrete and Aggregates	3,684	1,926
Other, net	1,075	435
Sub-total	81,010	69,362
Corporate General and Administrative	(9,833)	(8,991)
Earnings Before Interest and Income Taxes	71,177	60,371
Interest Expense, net	(3,901)	(4,486)
Earnings Before Income Taxes	\$ 67,276	\$ 55,885
Cement Operating Earnings -		
Wholly-owned Operations	\$ 23,620	\$ 17,883
Joint Venture	7,980	7,830
	\$ 31,600	\$ 25,713
Capital Expenditures -		
Cement	\$ 5,245	\$ 8,150
Gypsum Wallboard	1,328	1,497
Paperboard	1,304	844
Oil and Gas Proppants	57	15,967
Concrete and Aggregates	1,044	664
Other	—	—
	\$ 8,978	\$ 27,122
Depreciation, Depletion and Amortization -		
Cement	\$ 8,611	\$ 7,866
Gypsum Wallboard	4,762	4,786
Paperboard	2,100	2,053
Oil and Gas Proppants	5,184	7,559
Concrete and Aggregates	1,749	1,505
Other, net	457	495
	\$ 22,863	\$ 24,264

As of
June 30, 2016 March 31, 2016

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(dollars in thousands)

Identifiable Assets -		
Cement	\$845,018	\$819,994
Gypsum Wallboard	380,640	392,523
Paperboard	128,448	