

Summit Materials, Inc.  
Form 10-Q  
August 10, 2016  
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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FORM 10-Q

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(Mark One)

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

For the quarterly period ended July 2, 2016

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)

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SUMMIT MATERIALS, INC.

SUMMIT MATERIALS, LLC

(Exact name of registrants as specified in their charters)

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|   |   |
|---|---|
| Delaware (Summit Materials, Inc.)                                 | 47-1984212                              |
| Delaware (Summit Materials, LLC)                                  | 26-4138486                              |
| (State or other jurisdiction of<br>incorporation or organization) | (I.R.S. Employer<br>Identification No.) |
| 1550 Wynkoop Street, 3rd Floor                                    |   |
| Denver, Colorado  | 80202                                   |
| (Address of principal executive offices)                          | (Zip Code)                              |

Registrants' telephone number, including area code: (303) 893-0012

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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 | No |
| Summit Materials, LLC  | 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 (§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 | No |
| Summit Materials, LLC  | 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 the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Summit Materials, Inc.

|                         |   |                           |
|-------------------------|---|---------------------------|
| Large accelerated filer |   | Accelerated filer         |
| Non-accelerated filer   | (Do not check if a smaller reporting company) | Smaller reporting company |

Summit Materials, LLC

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Large accelerated filer  
Non-accelerated filer

(Do not check if a smaller reporting company)

Accelerated filer  
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 July 27, 2016, 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 75,430,986 and 28,661,526, respectively.

As of July 27, 2016, 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.

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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 July 2, 2016, its sole material asset was a 62.9% 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 8 1/2% senior notes due 2022 (“2022 Notes”) and our 6.1% senior notes due 2023 (“2023 Notes” and collectively with the 2022 Notes, the “Senior Notes”). Summit Inc.’s only revenue for the three and six months ended July 2, 2016 was that generated by Summit LLC and its consolidated subsidiaries. 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 consummated in connection with the initial public offering of its Class A common stock on March 11, 2015 (“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 concern 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 Annual Report on Form 10-K for the fiscal year ended January 2, 2016 (the “Annual Report”), as filed with the Securities and Exchange Commission (the “SEC”), 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;
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- 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;
- 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; and
- interruptions in our information technology systems and infrastructure.

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., an indirect wholly-owned subsidiary of Summit LLC and the co-issuer of the Senior Notes;
  - the "Issuers" refers to Summit LLC and Finance Corp. as co-issuers of the Senior Notes but not to any of their subsidiaries;
  - "Continental Cement" refers to Continental Cement Company, L.L.C.;
  - "Harper Contracting" refers collectively to substantially all the assets of Harper Contracting, Inc., Harper Sand and Gravel, Inc., Harper Excavating, Inc., Harper Ready Mix Company, Inc. and Harper Investments, Inc.;
  - "Lafarge" refers to Lafarge North America Inc.;
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- “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.;
  - “Lewis & Lewis” refers to Lewis & Lewis, Inc.;
  - “Davenport Assets” refers to a cement plant and quarry in Davenport, Iowa and seven cement distribution terminals along the Mississippi River;
  - “LeGrand” refers to LeGrand Johnson Construction Co.;
  - “Pelican” refers to Pelican Asphalt Company, LLC;
  - “AMC” refers to American Materials Company;
  - “Boxley” refers to Boxley Materials Company;
  - “Sierra” refers to Sierra Ready Mix, LLC;
  - “Oldcastle Assets” refers to the seven aggregates quarries located in central and northwest Missouri acquired from APAC-Kansas, Inc. and APAC-Missouri, Inc., subsidiaries of Oldcastle, Inc.;
  - “Blackstone” refers to investment funds associated with or designated by The Blackstone Group L.P. and its affiliates;
  - “Silverhawk” refers to certain investment funds affiliated with Silverhawk Summit, L.P.;
  - “Sponsors” refers to Blackstone and Silverhawk; and
  - “EBITDA” refers to net loss before interest expense, income tax expense (benefit), depreciation, depletion and amortization expense.
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Corporate Structure

The following chart summarizes our organizational structure, equity ownership and our principal indebtedness as of July 2, 2016. This chart is provided for illustrative purposes only and does not show all of our legal entities or all obligations of such entities.

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- (1) SEC registrant.
  - (2) Affiliates of Blackstone indirectly held shares of Class B common stock of Summit Inc. that provided them with approximately 37.1% of the combined voting power of Summit Inc.'s outstanding Class A and Class B common stock as of July 2, 2016.
  - (3) Guarantor under the senior secured credit facilities, but not the Senior Notes.
  - (4) Summit LLC and Finance Corp. are the issuers of the Senior Notes and Summit LLC is the borrower under our senior secured credit facilities. Finance Corp. is an indirect wholly-owned subsidiary of Summit LLC and was formed solely for the purpose of serving as co-issuer of certain indebtedness, including the Senior Notes. Finance Corp. does not and will not have operations of any kind and does not and will not have revenue or assets other than as may be incidental to its activities as a co-issuer of the Senior Notes.
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SUMMIT MATERIALS, INC.

SUMMIT MATERIALS, LLC

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## PART I—FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

## SUMMIT MATERIALS, INC. AND SUBSIDIARIES

## Consolidated Balance Sheets

(In thousands, except share and per share amounts)

|   | July 2,<br>2016<br>(unaudited) | January 2,<br>2016<br>(audited) |
|---|--------------------------------|---------------------------------|
| Assets  |                                |                                 |
| Current assets:   |                                |                                 |
| Cash and cash equivalents   | \$ 9,168                       | \$ 186,405                      |
| Accounts receivable, net  | 213,048                        | 145,544                         |
| Costs and estimated earnings in excess of billings  | 29,026                         | 5,690                           |
| Inventories   | 174,739                        | 130,082                         |
| Other current assets  | 8,040                          | 4,807                           |
| Total current assets  | 434,021                        | 472,528                         |
| Property, plant and equipment, less accumulated depreciation, depletion and amortization (July 2, 2016 - \$422,017 and January 2, 2016 - \$366,505) | 1,439,194                      | 1,269,006                       |
| Goodwill  | 757,658                        | 596,397                         |
| Intangible assets, less accumulated amortization (July 2, 2016 - \$6,577 and January 2, 2016 - \$5,237)   | 25,582                         | 15,005                          |
| Other assets  | 46,040                         | 43,243                          |
| Total assets  | \$ 2,702,495                   | \$ 2,396,179                    |
| Liabilities and Stockholders' Equity  |                                |                                 |
| Current liabilities:  |                                |                                 |
| Current portion of debt   | \$ 20,500                      | \$ 6,500                        |
| Current portion of acquisition-related liabilities  | 17,731                         | 20,584                          |
| Accounts payable  | 103,624                        | 81,397                          |
| Accrued expenses  | 106,960                        | 92,942                          |
| Billings in excess of costs and estimated earnings  | 9,695                          | 13,081                          |
| Total current liabilities   | 258,510                        | 214,504                         |
| Long-term debt  | 1,516,733                      | 1,273,652                       |
| Acquisition-related liabilities   | 32,533                         | 39,977                          |
| Other noncurrent liabilities  | 116,461                        | 100,186                         |
| Total liabilities   | 1,924,237                      | 1,628,319                       |
| Commitments and contingencies (see note 11)   |                                |                                 |
| Stockholders' equity:   |                                |                                 |

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|   |              |              |
|---|--------------|--------------|
| Class A common stock, par value \$0.01 per share; 1,000,000,000 shares authorized, 62,930,986 and 49,745,944 shares issued and outstanding as of July 2, 2016 and January 2, 2016, respectively | 630          | 497          |
| Class B common stock, par value \$0.01 per share; 250,000,000 shares authorized, 69,007,297 shares issued and outstanding as of July 2, 2016 and January 2, 2016                                | 690          | 690          |
| Additional paid-in capital  | 681,334      | 619,003      |
| Accumulated earnings  | 1,439        | 10,870       |
| Accumulated other comprehensive loss  | (1,981)      | (2,795)      |
| Stockholders' equity  | 682,112      | 628,265      |
| Noncontrolling interest in consolidated subsidiaries  | 1,327        | 1,362        |
| Noncontrolling interest in Summit Holdings  | 94,819       | 138,233      |
| Total stockholders' equity  | 778,258      | 767,860      |
| Total liabilities and stockholders' equity  | \$ 2,702,495 | \$ 2,396,179 |

See notes to unaudited consolidated financial statements.

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## SUMMIT MATERIALS, INC. AND SUBSIDIARIES

## Unaudited Consolidated Statements of Operations

(In thousands, except share and per share amounts)

|   | Three months ended |                  | Six months ended |                  |
|---|--------------------|------------------|------------------|------------------|
|   | July 2,<br>2016    | June 27,<br>2015 | July 2,<br>2016  | June 27,<br>2015 |
| Revenue:  |                    |                  |                  |                  |
| Product   | \$ 341,341         | \$ 261,270       | \$ 521,443       | \$ 410,190       |
| Service   | 71,295             | 67,739           | 99,232           | 93,958           |
| Net revenue   | 412,636            | 329,009          | 620,675          | 504,148          |
| Delivery and subcontract revenue  | 32,638             | 35,934           | 52,978           | 54,782           |
| Total revenue   | 445,274            | 364,943          | 673,653          | 558,930          |
| Cost of revenue (excluding items shown separately below):                 |                    |                  |                  |                  |
| Product   | 202,091            | 163,632          | 334,585          | 283,423          |
| Service   | 50,471             | 49,604           | 74,525           | 69,234           |
| Net cost of revenue   | 252,562            | 213,236          | 409,110          | 352,657          |
| Delivery and subcontract cost   | 32,638             | 35,934           | 52,978           | 54,782           |
| Total cost of revenue   | 285,200            | 249,170          | 462,088          | 407,439          |
| General and administrative expenses                                       | 75,644             | 39,711           | 121,014          | 106,945          |
| Depreciation, depletion, amortization and accretion                       | 37,408             | 27,386           | 69,768           | 53,512           |
| Transaction costs   | 290                | 6,376            | 3,606            | 7,740            |
| Operating income (loss)   | 46,732             | 42,300           | 17,177           | (16,706)         |
| Other expense, net  | 666                | 102              | 234              | 493              |
| Loss on debt financings   | —                  | 30,873           | —                | 31,672           |
| Interest expense  | 25,617             | 17,395           | 47,194           | 41,504           |
| Income (loss) from operations before taxes                                | 20,449             | (6,070)          | (30,251)         | (90,375)         |
| Income tax benefit  | (1,056)            | (5,345)          | (9,222)          | (9,813)          |
| Income (loss) from continuing operations                                  | 21,505             | (725)            | (21,029)         | (80,562)         |
| Income from discontinued operations                                       | —                  | (758)            | —                | (758)            |
| Net income (loss)   | 21,505             | 33               | (21,029)         | (79,804)         |
| Net income (loss) attributable to noncontrolling interest in subsidiaries | 44                 | 13               | (35)             | (1,969)          |
| Net income (loss) attributable to Summit Holdings                         | 8,090              | 225              | (13,247)         | (67,479)         |
| Net income (loss) attributable to Summit Inc.                             | \$ 13,371          | \$ (205)         | \$ (7,747)       | \$ (10,356)      |
| Net income (loss) per share of Class A common stock:                      |                    |                  |                  |                  |
| Basic   | \$ 0.22            | \$ (0.01)        | \$ (0.14)        | \$ (0.38)        |
| Diluted   | \$ 0.21            | \$ (0.01)        | \$ (0.20)        | \$ (0.39)        |
| Weighted average shares of Class A common stock:                          |                    |                  |                  |                  |

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|         |            |            |            |            |
|---------|------------|------------|------------|------------|
| Basic   | 61,607,457 | 27,319,846 | 55,677,214 | 27,319,846 |
| Diluted | 62,758,217 | 27,319,846 | 99,818,541 | 29,145,998 |

See notes to unaudited consolidated financial statements.



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## SUMMIT MATERIALS, INC. AND SUBSIDIARIES

## Unaudited Consolidated Statements of Comprehensive Operations

(In thousands)

|   | Three months ended |                  | Six months ended |                  |
|---|--------------------|------------------|------------------|------------------|
|   | July 2,<br>2016    | June 27,<br>2015 | July 2,<br>2016  | June 27,<br>2015 |
| Net income (loss)   | \$ 21,505          | \$ 33            | \$ (21,029)      | \$ (79,804)      |
| Other comprehensive income (loss):  |                    |                  |                  |                  |
| Foreign currency translation adjustment   | 635                | 1,064            | 5,277            | (5,235)          |
| Loss on cash flow hedges  | (1,058)            | —                | (3,292)          | —                |
| Other comprehensive (loss) income   | (423)              | 1,064            | 1,985            | (5,235)          |
| Comprehensive income (loss)   | 21,082             | 1,097            | (19,044)         | (85,039)         |
| Less comprehensive income (loss) attributable to the noncontrolling interest in consolidated subsidiaries | 44                 | 13               | (35)             | (1,969)          |
| Less comprehensive income (loss) attributable to Summit Holdings  | 8,051              | 225              | (12,076)         | (72,728)         |
| Comprehensive income (loss) attributable to Summit Inc.   | \$ 12,987          | \$ 859           | \$ (6,933)       | \$ (10,342)      |

See notes to unaudited consolidated financial statements.

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## SUMMIT MATERIALS, INC. AND SUBSIDIARIES

## Unaudited Consolidated Statements of Cash Flows

(In thousands)

|   | Six months ended |                  |
|---|------------------|------------------|
|   | July 2,<br>2016  | June 27,<br>2015 |
| Cash flow from operating activities:  |                  |                  |
| Net loss  | \$ (21,029)      | \$ (79,804)      |
| Adjustments to reconcile net loss to net cash used in operating activities: |                  |                  |
| Depreciation, depletion, amortization and accretion                         | 76,252           | 57,131           |
| Share-based compensation expense  | 29,817           | 17,020           |
| Deferred income tax (benefit) expense                                       | (10,040)         | 23               |
| Net gain on asset disposals   | (3,717)          | (3,487)          |
| Net gain on debt financings   | -                | (6,926)          |
| Other   | 129              | 1,185            |
| (Increase) decrease in operating assets, net of acquisitions:               |                  |                  |
| Accounts receivable, net  | (55,489)         | (21,535)         |
| Inventories   | (27,948)         | (16,555)         |
| Costs and estimated earnings in excess of billings                          | (24,542)         | (14,505)         |
| Other current assets  | (2,646)          | (2,779)          |
| Other assets  | (367)            | 53               |
| Increase (decrease) in operating liabilities, net of acquisitions:          |                  |                  |
| Accounts payable  | 9,682            | 3,105            |
| Accrued expenses  | 10,343           | (11,161)         |
| Billings in excess of costs and estimated earnings                          | (3,523)          | (875)            |
| Other liabilities   | (3,422)          | (1,114)          |
| Net cash used in operating activities                                       | (26,500)         | (80,224)         |
| Cash flow from investing activities:  |                  |                  |
| Acquisitions, net of cash acquired  | (296,664)        | (15,863)         |
| Purchases of property, plant and equipment                                  | (91,669)         | (43,379)         |
| Proceeds from the sale of property, plant and equipment                     | 9,442            | 6,039            |
| Other   | 1,500            | 610              |
| Net cash used for investing activities                                      | (377,391)        | (52,593)         |
| Cash flow from financing activities:  |                  |                  |
| Proceeds from equity offerings  | -                | 460,000          |
| Capital issuance costs  | (136)            | (36,398)         |
| Proceeds from stock option exercises  | 113              | -                |
| Proceeds from debt issuances  | 321,000          | 242,000          |
| Debt issuance costs   | (5,110)          | (5,130)          |
| Payments on debt  | (63,676)         | (469,628)        |
| Purchase of noncontrolling interests  | -                | (35,000)         |
| Payments on acquisition-related liabilities                                 | (25,662)         | (11,970)         |
| Distributions from partnership  | (373)            | (11,842)         |

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|   |           |           |
|---|-----------|-----------|
| Net cash provided by financing activities     | 226,156   | 132,032   |
| Impact of foreign currency on cash            | 498       | 140       |
| Net decrease in cash                          | (177,237) | (645)     |
| Cash and cash equivalents—beginning of period | 186,405   | 13,215    |
| Cash and cash equivalents—end of period       | \$ 9,168  | \$ 12,570 |

See notes to unaudited consolidated financial statements.

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SUMMIT MATERIALS, INC. AND SUBSIDIARIES

Unaudited Consolidated Statements of Changes in Stockholders' Equity and Redeemable Noncontrolling Interest

(In thousands, except share amounts)

Summit Materials, Inc.