EAGLE MATERIALS INC
Form 10-Q
January 31, 2018

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

December 31, 2017

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)

(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, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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 January 29, 2018, the number of outstanding shares of common stock was:

Class	Outstanding Shares
Common Stock, $.01 Par Value	48,668,850

Eagle Materials Inc. and Subsidiaries

Form 10-Q

December 31, 2017

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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 December 31,		For the Nine Months Ended December 31,	
	2017	2016	2017	2016
Revenues	$359,371	$302,395	$1,101,807	$932,557
Cost of Goods Sold	264,805	215,015	824,428	682,012
Gross Profit	94,566	87,380	277,379	250,545
Equity in Earnings of Unconsolidated Joint Venture	11,372	11,244	33,203	31,371
Corporate General and Administrative Expense	(9,883)	(9,166)	(29,383)	(27,831)
Legal Settlement	(39,098)	—	(39,098)	—
Other Non-Operating Income	1,084	429	2,728	2,008
Interest Expense, Net	(6,653)	(6,198)	(21,592)	(15,755)
Earnings Before Income Taxes	51,388	83,689	223,237	240,338
Income Tax Expense	49,992	(27,302)	(3,613)	(78,370)
Net Earnings	$101,380	$56,387	$219,624	$161,968
EARNINGS PER SHARE:				
Basic	$2.10	$1.18	$4.56	$3.38
Diluted	$2.08	$1.17	$4.52	$3.35
AVERAGE SHARES OUTSTANDING:				
Basic	48,221,093	47,881,662	48,132,276	47,901,369
Diluted	48,757,762	48,297,748	48,641,430	48,340,326
CASH DIVIDENDS PER SHARE:	$0.10	$0.10	$0.30	$0.30

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 December 31,		For the Nine Months Ended December 31,	
	2017	2016	2017	2016
Net Earnings	$101,380	$56,387	$219,624	$161,968
Change in Funded Status of Defined Benefit Plans:				
Amortization of Net Actuarial Loss	314	500	942	1,500
Tax Expense	(117)	(188)	(351)	(564)
Comprehensive Earnings	$101,577	$56,699	$220,215	$162,904

See notes to unaudited consolidated financial statements.

Eagle Materials Inc. and Subsidiaries

Consolidated Balance Sheets

(dollars in thousands)

	December 31, 2017 (unaudited)	March 31, 2017
ASSETS		
Current Assets -		
Cash and Cash Equivalents	$21,676	$6,561
Accounts and Notes Receivable	143,662	136,313
Inventories	239,628	252,846
Prepaid and Other Assets	20,378	4,904
Total Current Assets	425,344	400,624
Property, Plant and Equipment -	2,547,430	2,439,438
Less: Accumulated Depreciation	(972,706)	(892,601)
Property, Plant and Equipment, net	1,574,724	1,546,837
Notes Receivable	296	815
Investment in Joint Venture	55,337	48,620
Goodwill and Intangible Assets, net	240,145	235,505
Other Assets	12,197	14,723
	$2,308,043	$2,247,124
LIABILITIES AND STOCKHOLDERS’ EQUITY		
Current Liabilities -		
Accounts Payable	$73,203	$92,193
Accrued Liabilities	101,432	55,379
Income Tax Payable	—	733
Current Portion of Long-term Debt	—	81,214
Total Current Liabilities	174,635	229,519
Long-term Debt	565,755	605,253
Other Long-term Liabilities	35,112	42,878
Deferred Income Taxes	116,352	166,024
Total Liabilities	891,854	1,043,674
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 48,664,650 and 48,453,268 Shares, respectively	487	485
Capital in Excess of Par Value	156,834	149,014
Accumulated Other Comprehensive Losses	(6,805)	(7,396)
Retained Earnings	1,265,673	1,061,347
Total Stockholders’ Equity	1,416,189	1,203,450
	$2,308,043	$2,247,124

See notes to the unaudited consolidated financial statements.

Eagle Materials Inc. and Subsidiaries

Consolidated Statements of Cash Flows

(unaudited – dollars in thousands)

	For the Nine Months Ended December 31, 2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Earnings	$219,624	$161,968
Adjustments to Reconcile Net Earnings to Net Cash Provided by Operating Activities -		
Depreciation, Depletion and Amortization	87,903	67,894
Inventory Adjustment to Net Realizable Value	—	8,492
Deferred Income Tax Provision	(50,023)	2,751
Stock Compensation Expense	10,890	9,067
Excess Tax Benefits from Share Based Payment Arrangements	—	(8,546)
Equity in Earnings of Unconsolidated Joint Venture	(33,203)	(31,371)
Distributions from Joint Venture	26,500	33,250
Changes in Operating Assets and Liabilities:		
Accounts and Notes Receivable	(4,718)	6,613
Inventories	13,417	12,320
Accounts Payable and Accrued Liabilities	17,372	6,633
Other Assets	(11,889)	413
Income Taxes Payable	(733)	19,384
Net Cash Provided by Operating Activities	275,140	288,868
CASH FLOWS FROM INVESTING ACTIVITIES		
Property, Plant and Equipment Additions	(83,698)	(34,043)
Acquisition Spending	(36,761)	—
Net Cash Used in Investing Activities	(120,459)	(34,043)
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in Credit Facility	(40,000)	(382,000)
Repayment of Senior Notes	(81,214)	(8,000)
Issuance of Long-term Debt	—	350,000
Payment of Debt Issuance Costs	—	(6,637)
Dividends Paid to Stockholders	(14,571)	(14,500)
Shares Redeemed to Settle Employee Taxes on Stock Compensation	(2,607)	(3,084)
Purchase and Retirement of Common Stock	(24,903)	(60,013)
Proceeds from Stock Option Exercises	23,729	20,137
Excess Tax Benefits from Share Based Payment Arrangements	—	8,546
Net Cash Used in Financing Activities	(139,566)	(95,551)
NET INCREASE IN CASH AND CASH EQUIVALENTS	15,115	159,274
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	6,561	5,391

CASH AND CASH EQUIVALENTS AT END OF PERIOD	$21,676	$164,665

See notes to the unaudited consolidated financial statements.

Eagle Materials Inc. and Subsidiaries

Notes to Unaudited Consolidated Financial Statements

December 31, 2017

(A) BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements as of and for the three and nine month periods ended December 31, 2017 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 24, 2017.

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 March 2016, the Financial Accounting Standards Board (“FASB”), issued Accounting Standards Update (“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 Company adopted ASU 2016-09 on April 1, 2017. The new standard provides for changes to accounting for stock compensation including 1) excess tax benefits and tax deficiencies related to share based payment awards will be recognized as income tax benefit or expense in the reporting period in which they occur; 2) excess tax benefits will be classified as an operating activity in the statement of cash flow; 3) the option to elect to estimate forfeitures or account for them when they occur; and 4) an increase in the tax withholding requirements threshold to qualify for equity classification. The primary impact of adoption was the recognition of excess tax benefits for our stock awards in the provision for income taxes rather than additional paid-in capital. As provided by the new standard, the Company changed its method of accounting for forfeitures, and will now recognize forfeitures as they occur, which resulted in an approximately $0.7 million reduction to retained earnings. Additional amendments to the accounting for income taxes and minimum statutory withholding tax requirements had no impact to retained earnings.

Adoption of the new standard resulted in the recognition of excess tax benefits in our provision for income taxes rather than paid-in capital of $2.5 million for the nine months ended December 31, 2017. The presentation of excess tax benefits on stock-based compensation was adopted prospectively within the unaudited Condensed Consolidated

Statements of Cash Flows. The presentation requirements for cash flows related to employee taxes paid for withheld shares had no impact on any of the periods presented on the unaudited Condensed Consolidated Statements of Cash Flows as the Company has historically presented them as a financing activity.

In May 2014, the FASB issued 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 performed an evaluation of all segments and do not expect the adoption of this standard to materially impact our consolidated financial statements, but we are still evaluating the impact on our financial statement disclosures.

In March 2017, the FASB issued ASU 2017-07, “Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost”, which revises the accounting for periodic pension and postretirement expense. This ASU requires net periodic benefit cost, with the exception of service cost, to be presented retrospectively as nonoperating expense. Service cost will remain a component of cost of goods sold and represent the only cost of pension and postretirement expense eligible for capitalization. We will adopt the standard on April 1, 2018 using the retrospective method for presentation of service cost and other components in the income statement. We will prospectively adopt the requirement to limit the capitalization of benefit cost to the service cost component. The impact of adopting this standard will be a reduction to cost of goods sold and an increase in other expense. Had we adopted this standard on April 1, 2017, our gross profit for the nine months ended December 31, 2017 would have increased by approximately $0.3 million, and other income would have decreased by $0.3 million.

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) ACQUISITION

Fairborn Acquisition

On February 10, 2017, we completed the acquisition (the “Fairborn Acquisition”) of certain assets of CEMEX Construction Materials Atlantic, LLC (the “Seller”). The assets acquired by the Company in the Fairborn Acquisition include a cement plant located in Fairborn, Ohio, a cement distribution terminal located in Columbus, Ohio, and certain other related assets.

Purchase Price: The purchase price (the “Fairborn Purchase Price”) of the Fairborn Acquisition was approximately $400.5 million. We funded the payment of the Fairborn Purchase Price at closing and expenses incurred in connection with the Fairborn Acquisition through a combination of cash on hand and borrowings under our bank credit facility.

Recording of assets acquired and liabilities assumed: The transaction has been accounted for using the acquisition method of accounting which requires, among other things, that assets acquired and liabilities assumed be recognized at their fair values as of the acquisition date. The Company engaged a third-party to perform a valuation to support the Company’s preliminary estimate of the fair value of certain assets acquired in the Fairborn Acquisition.

During the quarter ended December 31, 2017, we completed our mine plan, enabling us to finalize the asset retirement obligation at the date of purchase. Based on the updated mine plan, the asset retirement obligation and corresponding asset was revised to approximately $2.8 million from $4.0 million.

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The preparation of the valuation of the assets acquired and liabilities assumed in the Fairborn Acquisition requires the use of significant assumptions and estimates. Critical estimates include, but are not limited to, replacement value and condition of property and equipment, future expected cash flows, including projected revenues and expenses, and applicable discount rates for intangible and other assets. These estimates are based on assumptions that we believe to be reasonable. However, actual results may differ from these estimates.

The following table summarizes the allocation of the Fairborn Purchase Price to assets acquired and liabilities assumed as of the acquisition date:

Purchase price allocation at acquisition date (in thousands)	As of February 10, 2017
Inventories	$11,106
Property and Equipment	314,897
Intangible Assets	10,000
Other Assets	2,820
Asset Retirement Obligation	(2,820)
Total Net Assets	336,003
Goodwill	64,485
Total Purchase Price	$400,488

Goodwill represents the excess purchase price over the fair values of assets acquired and liabilities assumed. The goodwill was generated by the availability of co-product sales and the opportunity associated with the expansion of our cement business to the eastern region of the United States. All of the goodwill generated by the transaction will be deductible for income tax purposes.

Intangible Assets: The following table is a summary of the fair value estimates of the identifiable intangible assets (in thousands) and their weighted-average useful lives:

	Weighted Average Life	Estimated Fair Value
Customer Relationships	15	9,000
Permits	40	1,000
Total Intangible Assets		$ 10,000

Actual and pro forma impact of the Fairborn Acquisition: The following table presents the net sales and operating earnings related to the Fairborn Acquisition that have been included in our consolidated statement of earnings for the three and nine months ended December 31, 2017:

	For the Three Months	For the Nine Months

	Ended December 31, 2017	Ended December 31, 2017
	(dollars in thousands)	
Revenues	$21,699	$ 69,120
Operating Earnings	$6,547	$ 20,380

Operating earnings shown above for the nine months ended December 31, 2017 have been impacted by approximately $11.2 million and $0.6 million related to depreciation and amortization and the recording of acquired inventory at fair value, respectively.

The unaudited pro forma results presented below include the effects of the Fairborn Acquisition as if it had been consummated as of April 1, 2016. The pro forma results include the amortization associated with an estimate for acquired intangible assets and interest expense associated with debt used to fund the Fairborn Acquisition and depreciation from the fair value adjustments for property and equipment. To better reflect the combined operating results, material nonrecurring charges directly related to the Fairborn Acquisition of approximately $5.5 million have been excluded from pro forma net income for fiscal 2017.

	For the Three Months Ended December 31, 2016	For the Nine Months Ended December 31, 2016
	(dollars in thousands)	
Revenues	$321,378	$998,910
Net Income	$58,294	$169,631
Earnings per share – basic	$1.22	$3.54
Earnings per share - diluted	$1.21	$3.51

The pro forma results do not include any anticipated synergies or other expected benefits of the Fairborn Acquisition. Accordingly, the unaudited pro forma results are not necessarily indicative of either future results of operations or results that might have been achieved had the Fairborn Acquisition been consummated as of April 1, 2016.

Wildcat Acquisition

On July 27, 2017, we acquired all of the outstanding equity interests in Wildcat Minerals LLC (the “Wildcat Acquisition”). Wildcat Minerals LLC operates transload facilities serving the oil and gas industry in several oil and gas basins across the United States. The purchase price (the “Purchase Price”) of the Wildcat Acquisition was approximately $36.8 million, subject to adjustments for working capital and other customary post-closing adjustments. The Purchase Price was allocated as follows: approximately $3.1 million to current assets, $28.3 million to property and equipment, $1.4 million to intangible and other assets, $2.8 million to current liabilities and $6.8 million to goodwill. The Purchase Price and expenses incurred in connection with the Wildcat Acquisition were funded through operating cash flow and borrowings under our bank credit facility. Assets related to the Wildcat Acquisition will be included in the Corporate and Other segment in our segment reporting.

(C) CASH FLOW INFORMATION—SUPPLEMENTAL

Cash payments made for interest were $19.8 million and $10.7 million for the nine months ended December 31, 2017 and 2016, respectively. Net payments made for federal and state income taxes during the nine months ended December 31, 2017 and 2016, were $68.8 million and $55.6 million, respectively.

(D) ACCOUNTS AND NOTES RECEIVABLE

Accounts and notes receivable have been shown net of the allowance for doubtful accounts of $11.1 million and $10.7 million at December 31, 2017 and March 31, 2017, 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 $2.6 million at December 31, 2017, of which approximately $2.3 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 fiscal 2018 and 2021. 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.

(E) STOCKHOLDERS' EQUITY

A summary of changes in stockholders' equity follows:

	For the Nine Months Ended December 31, 2017 (dollars in thousands)
Common Stock –	
Balance at Beginning of Period	$ 485
Issuance of Restricted Stock	1
Purchase and Retirement of Common Stock	(1)
Stock Option Exercises	2
Balance at End of Period	487
Capital in Excess of Par Value –	
Balance at Beginning of Period	149,014
Stock Compensation Expense	10,890
Cumulative Impact of the Adoption of ASU 2016-09	713
Shares Redeemed to Settle Employee Taxes	(2,607)
Stock Option Exercises	23,726
Purchase and Retirement of Common Stock	(24,902)
Balance at End of Period	156,834
Retained Earnings –	
Balance at Beginning of Period	1,061,347
Dividends Declared to Stockholders	(14,585)
Cumulative Impact of the Adoption of ASU 2016-09	(713)
Net Earnings	219,624
Balance at End of Period	1,265,673
Accumulated Other Comprehensive Loss -	
Balance at Beginning of Period	(7,396)
Change in Funded Status of Pension Plan, net of tax	591
Balance at End of Period	(6,805)
Total Stockholders' Equity	$ 1,416,189

During the nine months ended December 31, 2017, we repurchased 272,772 shares at an average price of $91.31. As of December 31, 2017, we have authorization to purchase an additional 4,544,428 shares.

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(F) 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 December 31, 2017	March 31, 2017
	(dollars in thousands)	
Raw Materials and Material-in-Progress	$107,340	$122,736
Finished Cement	24,313	24,428
Gypsum Wallboard	8,305	7,951
Paperboard	7,467	8,635
Frac Sand	2,345	2,907
Aggregates	7,268	7,686
Repair Parts and Supplies	76,741	73,732
Fuel and Coal	5,849	4,771
	$239,628	$252,846

(G) ACCRUED EXPENSES

Accrued expenses consist of the following:

	As of December 31, 2017	March 31, 2017
	(dollars in thousands)	
Payroll and Incentive Compensation	$26,001	$22,850
Benefits	14,204	11,503
Interest	7,196	5,992
Property Taxes	3,817	4,759
Power and Fuel	1,800	1,536
Sales and Use Tax	486	2,459
Legal Settlement	39,098	—
Other Legal	2,770	944
Acquisition Related Expenses	—	350

Other	6,060	4,986
	$101,432	$55,379

(H) 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 2017, the Compensation Committee approved the granting of an aggregate of 58,055 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 2018 Employee Performance Stock Option Grant”). The performance criterion for the Fiscal 2018 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, 2018. 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, 2019 through 2021. The stock options have a term of ten years from the date of grant. The Compensation Committee also approved the granting of 48,379 time vesting stock options to the same officers and key employees, which vest ratably over four years (the "Fiscal 2018 Employee Time Vesting Stock Option Grant). In August 2017, we granted 6,052 options to members of the Board of Directors (the "Fiscal 2018 Board of Directors Stock Option Grant"). Options granted under the Fiscal 2018 Board of Directors Stock Option Grant vest immediately and can be exercised from the date of grant until their expiration on the tenth anniversary of the date of the grant. The Fiscal 2018 Employee Performance Stock Option Grant, Fiscal 2018 Employee Time Vesting Stock Option Grant and Fiscal 2018 Board of Directors 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 2018 are as follows:

	Fiscal 2018
Dividend Yield	1.3%
Expected Volatility	36.3%
Risk Free Interest Rate	2.1%
Expected Life	6.0 years

Stock option expense for all outstanding stock option awards totaled approximately $1.1 million and $3.3 million for the three and nine months ended December 31, 2017, respectively and approximately $1.2 million and $4.2 million for the three and nine months ended December 31, 2016, respectively. At December 31, 2017, there was approximately $7.8 million of unrecognized compensation cost related to outstanding stock options, which is expected to be recognized over a weighted-average period of 2.6 years.

The following table represents stock option activity for the nine months ended December 31, 2017:

	Number of Shares	Weighted-Average Exercise Price
Outstanding Options at Beginning of Period	1,323,379	$ 66.07
Granted	119,986	$ 100.20
Exercised	(441,691)	$ 59.97

Cancelled	(16,742)	$ 78.05
Outstanding Options at End of Period	984,932	$ 72.76
Options Exercisable at End of Period	597,945	$ 65.18
Weighted-Average Fair Value of Options Granted during the Period	$33.37	

The following table summarizes information about stock options outstanding at December 31, 2017:

	Outstanding Options			Exercisable Options	
Range of Exercise Prices	Number of Shares Outstanding	Weighted - Average Remaining Contractual Life	Weighted - Average Exercise Price	Number of Shares Outstanding	Weighted - Average Exercise Price
$23.17 – $ 29.84	65,912	3.60	$ 23.27	65,912	$ 23.47
$33.43 – $ 37.34	99,582	4.46	$ 33.94	99,582	$ 33.94
$53.22 – $ 77.67	308,924	7.24	$ 71.06	158,166	$ 69.19
$79.73 – $ 106.00	510,514	7.60	$ 87.76	274,285	$ 84.27
	984,932	6.90	$ 72.76	597,945	$ 65.18

At December 31, 2017, the aggregate intrinsic value for outstanding and exercisable options was approximately $39.9 million and $28.8 million, respectively. The total intrinsic value of options exercised during the nine months ended December 31, 2017 was approximately $18.5 million.

Restricted Stock. In May 2017, the Compensation Committee approved the granting of an aggregate of 52,646 shares of performance vesting restricted stock to certain officers and key employees that will be earned if certain performance conditions are satisfied (the “Fiscal 2018 Employee Restricted Stock Performance Award”). The performance criterion for the Fiscal 2018 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, 2018. 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, 2019 through 2021. The Compensation Committee also approved the granting of 43,874 shares of time vesting restricted stock to the same officers and key employees, which vest ratably over four years (the “Fiscal 2018 Employee Restricted Stock Time Vesting Award”). In August 2017, we awarded 11,444 shares of restricted stock to members of the Board of Directors (the “Board of Directors Fiscal 2018 Restricted Stock Award”), which vest six months after the grant date. The Fiscal 2018 Employee Restricted Stock Performance Award and the Fiscal 2018 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. The Board of Director Fiscal 2018 Restricted Stock Awards were valued at the closing price of the stock on the date of grant, and are being expensed over a six month period.

Expense related to restricted shares was approximately $2.6 million and $7.5 million for the three and nine months ended December 31, 2017, respectively and approximately $1.8 million and $5.0 million for the three and nine months ended December 31, 2016, respectively. At December 31, 2017, there was approximately $19.4 million of unearned compensation from restricted stock, which will be recognized over a weighted-average period of 2.3 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 4,165,706 at December 31, 2017.

(I) COMPUTATION OF EARNINGS PER SHARE

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

	For the Three Months Ended December 31, 2017	For the Three Months Ended December 31, 2016	For the Nine Months Ended December 31, 2017	For the Nine Months Ended December 31, 2016
Weighted-Average Shares of Common Stock Outstanding	48,221,093	47,881,662	48,132,276	47,901,369
Common Equivalent Shares:				
Assumed Exercise of Outstanding Dilutive Options	887,506	764,631	1,069,152	889,411
Less: Shares Repurchased from Assumed Proceeds of Assumed Exercised Options	(606,549)	(523,194)	(778,985)	(612,885)
Restricted Shares	255,712	174,649	218,987	162,431
Weighted-Average Common and Common Equivalent Shares Outstanding	48,757,762	48,297,748	48,641,430	48,340,326
Shares Excluded Due to Anti-dilution Effects	121,179	700,734	91,089	679,849

(J) PENSION AND EMPLOYEE BENEFIT PLANS

We sponsor several defined benefit pension plans and defined contribution 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 December 31, 2017	For the Three Months Ended December 31, 2016	For the Nine Months ended December 31, 2017	For the Nine Months ended December 31, 2016
	(dollars in thousands)		(dollars in thousands)	
Service Cost – Benefits Earned During the Period	$ 153	$ 222	$ 557	$ 665
Interest Cost of Benefit Obligations	357	399	1,110	1,196
Expected Return on Plan Assets	(578)	(416)	(1,558)	(1,247)
Recognized Net Actuarial Loss	46	425	519	1,276
Amortization of Prior-Service Cost	60	75	210	224
Net Periodic Pension Cost	$ 38	$ 705	$ 838	$ 2,114

We contributed approximately $8.5 million to our pension plans during December 2017, which is expected to substantially decrease our unfunded pension liability at March 31, 2018.

(K) INCOME TAXES

On December 22, 2017, the United States (“U.S.”) enacted significant changes to U.S. tax law following the passage and signing of H.R.1, “An Act to Provide for Reconciliation Pursuant to Titles II and V of the Concurrent Resolution on the Budget for Fiscal Year 2018”). Under the new law, beginning January 1, 2018, the U.S. corporate income tax rate is reduced from 35% to 21%, accordingly, our effective tax rate for fiscal 2018 is based on a blended statutory rate of 31.5%.

The effect on our net deferred tax liability for the change in tax rates is required to be recognized in the period the tax rate change was enacted. We estimated the impact of the reduction in the U.S. corporate income tax rate, as well as other aspects of the new law, which resulted in a one-time, non-cash decrease to income tax expense of approximately $61.0 million for the nine months ended December 31, 2017.

The Company will continue to assess the expected impacts of the new tax law, and will include any changes to the preliminary impacts noted above, in the Company’s Annual Report on Form 10-K for the year ended March 31, 2018.

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 tax rate for the nine months ended December 31, 2017 was approximately 2%, which was lower than the tax rate of 33% for the nine months ended December 31, 2016. The decline in the rate was primarily due to the discrete benefit related to the change in corporate tax rates, as described above, which reduced deferred tax liabilities by approximately $61.0 million and the impact of the adoption of ASU 2016-09, which reduced income tax expense by approximately $2.5 million.

(L) LONG-TERM DEBT

Long-term debt consists of the following:

	As of December 31, 2017	March 31, 2017
	(dollars in thousands)	
Credit Facility	$ 185,000	$ 225,000
4.500% Senior Unsecured Notes Due 2026	350,000	350,000
Private Placement Senior Unsecured Notes	36,500	117,714
Total Debt	571,500	692,714
Less: Current Portion of Long-term Debt	—	(81,214)
Less: Debt Origination Costs	(5,745)	(6,247)
Total Long-term Debt	$ 565,755	$ 605,253

Credit Facility –

We have a $500.0 million revolving credit facility (the “Credit Facility”), including a swingline loan sublimit of $25.0 million, which terminates on August 2, 2021. 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 ½% 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 $185.0 million of borrowings outstanding at December 31, 2017. Based on our Leverage Ratio, we had $305.6 million of available borrowings, net of the outstanding letters of credit, at December 31, 2017.

The Credit Facility has a $40.0 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 December 31, 2017, we had $9.4 million of letters of credit outstanding.

4.500% Senior Unsecured Notes Due 2026 –

On August 2, 2016, the Company issued $350.0 million aggregate principal amount of 4.500% senior notes ("Senior Unsecured Notes") due August 2026. Interest on the Senior Unsecured Notes is payable semiannually on February 1 and August 1 of each year until all of the outstanding notes are paid. The Senior Unsecured Notes rank equal to existing and future senior indebtedness, including the Credit Facility and the Private Placement Senior Unsecured Notes. Prior to August 1, 2019, we may redeem up to 40% of the original aggregate principal amount of the Senior Unsecured Notes with the proceeds of certain equity offerings at a redemption price of 104.5% of the principal amount of the notes. On or after August 1, 2019 and prior to August 1, 2021, we may redeem some or all of the Senior Unsecured Notes at a price equal to 100% of the principal amount, plus a “make-whole” premium. Beginning on August 1, 2021, we may redeem some or all of the Senior Unsecured Notes at the redemption prices set forth below (expressed as a percentage of the principal amount being redeemed):

	Percentage	
2021	102.25	%
2022	101.50	%
2023	100.75	%
2024 and thereafter	100.00	%

The Senior Unsecured Notes contain covenants that limit our ability and/or our guarantor subsidiaries' ability to create or permit to exist certain liens; enter into sale and leaseback transactions; and consolidate, merge, or transfer all or substantially all of our assets. The Company’s Senior Unsecured Notes are fully and unconditionally and jointly and severally guaranteed by each of our subsidiaries that is a guarantor under the Credit Facility and Private Placement Senior Unsecured Notes. See Footnote (Q) to the Unaudited Consolidated Financial Statements for more information on the guarantors of the Senior Public Notes.

Private Placement Senior Unsecured Notes -

We entered into a Note Purchase Agreement on November 15, 2005 in connection with our sale of $200.0 million of senior, unsecured notes, designated as Series 2005A Senior Notes (the “Series 2005A Senior Unsecured Notes”) in a private placement transaction. The Series 2005A Senior Unsecured Notes, which were guaranteed by substantially all of our subsidiaries, were sold at par and issued in three tranches. During November 2017, all remaining notes were repaid in full and cancelled.

We also entered into an additional Note Purchase Agreement on October 2, 2007 (the “2007 Note Purchase Agreement”) in connection with our sale of $200.0 million of senior unsecured notes, designated as Series 2007A Senior Notes (the “Series 2007A Senior Unsecured Notes”) in a private placement transaction. The Series 2007A Senior Unsecured Notes, which are guaranteed by substantially all of our subsidiaries, were sold at par and issued in four tranches. At December 31, 2017, the amount outstanding for the remaining tranche is as follows:

	Principal	Maturity Date	Interest Rate
Tranche D	$36.5 million	October 2, 2019	6.48%

Interest for each tranche of Notes is payable semi-annually April 2 and October 2 of each year until all principal is paid for the respective tranche. During October 2017, the $24.0 million outstanding under Tranche C of the Series 2007A Senior Unsecured Notes matured, and the related notes were repaid and cancelled at that time.

Our obligations under the 2007 Note Purchase Agreement are equal in right of payment with all other senior, unsecured indebtedness of the Company, including our indebtedness under the Credit Facility and Senior Unsecured Notes. The 2007 Note Purchase Agreement contains 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 2007 Note Purchase Agreement requires 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, and 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 December 31, 2017.

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 2007 Note Purchase Agreement) on the Series 2007A Senior Unsecured Notes and the other payment and performance obligations of the Company contained in the 2007 Note Purchase Agreement. 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 Series 2007A Senior Unsecured 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 Series 2007A Senior Unsecured 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 Series 2007A Senior Unsecured 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.

(M) 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 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.

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We operate seven cement plants, one slag grinding facility, seventeen cement distribution terminals, five gypsum wallboard plants, 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, six frac sand trans-load locations and eleven frac sand distribution centers. The principal markets for our cement products are Texas, northern Illinois (including Chicago), the central plains, the Rocky Mountains, northern Nevada, Ohio 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 and distributed into shale deposit zones across the United States. Other segment operations that are not material to our business are included in Other.

We conduct one of our seven 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 December 31,		For the Nine Months Ended December 31,	
	2017	2016	2017	2016
	(dollars in thousands)		(dollars in thousands)	
Revenues -				
Cement	$161,601	$138,047	$536,186	$449,650
Gypsum Wallboard	133,348	121,504	383,229	357,689
Paperboard	48,389	41,254	138,161	128,528
Oil and Gas Proppants	21,947	7,124	62,879	18,851
Concrete and Aggregates	38,742	40,843	126,092	114,734
Other	4,445	—	4,445	—
Sub-total	408,472	348,772	1,250,992	1,069,452
Less: Intersegment Revenues	(23,575)	(20,468)	(69,489)	(59,123)
Net Revenues, including Joint Venture	384,897	328,304	1,181,503	1,010,329
Less: Joint Venture	(25,526)	(25,909)	(79,696)	(77,772)
Net Revenues	$359,371	$302,395	$1,101,807	$932,557

	For the Three Months Ended December 31,		For the Nine Months Ended December 31,	
	2017	2016	2017	2016
	(dollars in thousands)		(dollars in thousands)	
Intersegment Revenues -				
Cement	$ 4,160	$ 4,336	$ 13,743	$ 12,407
Paperboard	19,127	15,887	54,643	45,845
Concrete and Aggregates	288	245	1,103	871
	$ 23,575	$ 20,468	$ 69,489	$ 59,123

Cement Sales Volume (in thousands of tons) -				
Wholly –owned Operations	1,123	967	3,734	3,200
Joint Venture	216	231	686	691
	1,339	1,198	4,420	3,891

	For the Three Months Ended December 31,		For the Nine Months Ended December 31,	
	2017	2016	2017	2016
	(dollars in thousands)		(dollars in thousands)	
Operating Earnings -				
Cement	$ 52,523	$ 45,307	$ 154,456	$ 127,623
Gypsum Wallboard	39,841	41,075	123,237	122,109
Paperboard	10,903	9,380	22,358	30,827
Oil and Gas Proppants	(1,007)	(1,726)	(4,787)	(11,728)
Concrete and Aggregates	3,414	4,588	15,054	13,085
Other	264	—	264	—
Sub-total	105,938	98,624	310,582	281,916
Corporate General and Administrative	(9,883)	(9,166)	(29,383)	(27,831)
Legal Settlement	(39,098)	—	(39,098)	—
Other Non-Operating Income	1,084	429	2,728	2,008
Earnings Before Interest and Income Taxes	58,041	89,887	244,829	256,093
Interest Expense, net	(6,653)	(6,198)	(21,592)	(15,755)
Earnings Before Income Taxes	$ 51,388	$ 83,689	$ 223,237	$ 240,338
Cement Operating Earnings -				
Wholly–owned Operations	$ 41,151	$ 34,063	$ 121,253	$ 96,252
Joint Venture	11,372	11,244	33,203	31,371
	$ 52,523	$ 45,307	$ 154,456	$ 127,623
Capital Expenditures -				
Cement	$ 11,012	$ 8,558	$ 31,744	$ 18,812
Gypsum Wallboard	4,616	1,756	15,477	5,181
Paperboard	1,490	634	2,913	2,338
Oil and Gas Proppants	13,896	1,469	28,256	1,534
Concrete and Aggregates	2,446	3,045	4,976	5,595
Corporate and Other	147	350	332	583
	$ 33,607	$ 15,812	$ 83,698	$ 34,043
Depreciation, Depletion and Amortization -				
Cement	$ 13,117	$ 8,763	$ 38,258	$ 26,158
Gypsum Wallboard	4,599	4,636	13,514	14,166
Paperboard	2,204	2,105	6,513	6,311
Oil and Gas Proppants	5,820	4,987	21,944	14,432
Concrete and Aggregates	2,007	1,805	5,851	5,474
Corporate and Other	903	349	1,823	1,353
	$ 28,650	$ 22,645	$ 87,903	$ 67,894

	As of December 31,	March 31,
	2017	2017
	(dollars in thousands)	
Identifiable Assets -		
Cement	$ 1,233,099	$ 1,234,617
Gypsum Wallboard	376,731	379,414

Paperboard	120,603	124,356
Oil and Gas Proppants	385,719	376,306
Concrete and Aggregates	103,631	110,413
Corporate and Other	88,260	22,018
	$2,308,043	$2,247,124

Segment operating earnings, including the proportionately consolidated 50% interest in the revenues and expenses of the Joint Venture, represent revenues, less direct operating expenses, segment depreciation, and segment selling, general and administrative expenses. Corporate assets consist primarily of cash and cash equivalents, general office assets, miscellaneous other assets, unrecognized tax benefits and assets acquired in the Wildcat Acquisition. The segment breakdown of goodwill is as follows:

	As of December 31, 2017	March 31, 2017
	(dollars in thousands)	
Cement	$ 74,214	$ 74,214
Gypsum Wallboard	116,618	116,618
Paperboard	7,538	7,538
Corporate and Other	6,841	—
	$ 205,211	$ 198,370

Summarized financial information for the Joint Venture that is not consolidated is set out below (this summarized financial information includes the total amount for the Joint Venture and not our 50% interest in those amounts):

	For the Three Months Ended December 31,		For the Nine Months Ended December 31,	
	2017	2016	2017	2016
	(dollars in thousands)		(dollars in thousands)	
Revenues	$ 51,311	$ 53,018	$ 163,128	$ 158,351
Gross Margin	$ 23,421	$ 23,887	$ 69,672	$ 66,812
Earnings Before Income Taxes	$ 22,745	$ 22,488	$ 66,407	$ 62,742

	As of December 31, 2017	March 31, 2017
	(dollars in thousands)	
Current Assets	$ 67,380	$ 73,767
Non-Current Assets	$ 66,836	$ 42,337
Current Liabilities	$ 27,501	$ 22,293

(N) INTEREST EXPENSE

The following components are included in interest expense, net:

	For the Three Months Ended December 31,		For the Nine Months Ended December 31,	
	2017	2016	2017	2016
	(dollars in thousands)		(dollars in thousands)	
Interest (Income)	$ (4)	$ (19)	$ (10)	$ (23)
Interest Expense	6,363	5,982	20,692	15,078
Other Expenses	294	235	910	700
Interest Expense, net	$ 6,653	$ 6,198	$ 21,592	$ 15,755

Interest income includes interest on investments of excess cash. Components of interest expense include interest associated with the Private Placement Senior Unsecured Notes, the Credit Facility, the Senior Unsecured Notes and commitment fees based on the unused portion of the Credit Facility. Other expenses include amortization of debt issuance costs, and credit facility costs.

(O) COMMITMENTS AND CONTINGENCIES

We have certain deductible limits under our workers' compensation and liability insurance policies for which reserves are established based on the undiscounted estimated costs of known and anticipated claims. We have entered into standby letter of credit agreements relating to workers' compensation and auto and general liability self-insurance. At December 31, 2017, we had contingent liabilities under these outstanding letters of credit of approximately $9.4 million.

In the ordinary course of business, we execute contracts involving indemnifications that are standard in the industry and indemnifications specific to a transaction such as sale of a business. These indemnifications may include claims relating to any of the following: environmental and tax matters; intellectual property rights; governmental regulations and employment-related matters; customer, supplier, and other commercial contractual relationships; construction contracts and financial matters. While the maximum amount to which the Company may be exposed under such agreements cannot be estimated, it is the opinion of management that these indemnifications are not expected to have a material adverse effect on our consolidated financial position, results of operations or cash flows. We currently have no outstanding guarantees.

We are currently contingently liable for performance under $25.6 million in performance bonds required by certain states and municipalities, and their related agencies. The bonds are principally for certain reclamation obligations and mining permits. We have indemnified the underwriting insurance company against any exposure under the performance bonds. In our past experience, no material claims have been made against these financial instruments.

Domestic Wallboard Antitrust Litigation

Since late December 2012, several purported class action lawsuits were filed in various United States District Courts, including the Eastern District of Pennsylvania, Western District of North Carolina and the Northern District of Illinois, against the Company's subsidiary, American Gypsum Company LLC ("American Gypsum"), alleging that the defendant wallboard manufacturers conspired to fix the price for drywall sold in the United States in violation of federal antitrust laws and, in some cases related provisions of state law. The complaints alleged that the defendant wallboard manufacturers conspired to increase prices through the announcement and implementation of coordinated price increases, output restrictions, and other restraints of trade, including the elimination of individual "job quote" pricing. In addition to American Gypsum, the defendants in these lawsuits included CertainTeed Corp. ("CertainTeed"), USG Corporation and United States Gypsum (together "USG"), New NGC, Inc. ("New NGC"), Lafarge North America ("Lafarge"), Temple Inland Inc. ("TIN") and PABCO Building Products LLC ("PABCO"). On April 8, 2013, the Judicial Panel on Multidistrict Litigation ("JPML") transferred and consolidated all related cases to the Eastern District of Pennsylvania for coordinated pretrial proceedings.

On June 24, 2013, the direct and indirect purchaser plaintiffs filed consolidated amended class action complaints. The direct purchasers' complaint added the Company as a defendant. The plaintiffs in the consolidated class action complaints assert claims on behalf of purported classes of direct purchasers or end users of wallboard from January 1, 2012 to the present for unspecified monetary damages (including treble damages) and in some cases injunctive relief. On July 29, 2013, the Company and American Gypsum answered the complaints, denying all allegations that they conspired to increase the price of drywall and asserting affirmative defenses to the plaintiffs' claims.

In 2014, USG and TIN entered into agreements with counsel representing the direct and indirect purchaser classes pursuant to which they agreed to settle all claims against them. Under the terms of its settlement agreement, USG agreed to pay $48.0 million to resolve the direct and indirect purchaser class actions. In its settlement agreement, TIN agreed to pay $7.0 million to resolve the direct and indirect purchaser class actions. On August 20, 2015, the court entered orders finally approving USG and TIN’s settlements with the direct and indirect purchaser plaintiffs. Following completion of the initial discovery, the Company and remaining codefendants moved for summary judgment. On February 18, 2016, the court denied the Company's motion for summary judgment and granted judgment in favor of CertainTeed. On June 16, 2016, Lafarge entered into an agreement with counsel for the direct purchaser class under which it agreed to settle all claims against it for $23.0 million. The court entered an order finally approving this settlement on December 7, 2016. On July 28, 2016, Lafarge entered into an agreement with counsel representing the indirect purchaser class under which it agreed to settle all claims against it for $5.2 million, which was approved by the court on February 28, 2017. On July 14, 2016, the Company's motion for permission to appeal the summary judgment decision to the U.S. Court of Appeals for the Third Circuit was denied.

Direct purchaser plaintiffs and indirect purchaser plaintiffs filed their motions for class certification on August 3, 2016 and October 12, 2016, respectively. On August 23, 2017, the court granted the direct purchaser plaintiffs' motion for class certification and certified a class consisting of all persons or entities that purchased paper-backed gypsum wallboard in the United States from January 1, 2012 through January 31, 2013 directly from American Gypsum, the Company, Lafarge, New NGC, PABCO, USG, and/or L&W Supply Corporation (which was a subsidiary of USG Corporation during the class period). On September 6, 2017, American Gypsum, the Company, New NGC, and PABCO filed a petition with the U.S. Court of Appeals for the Third Circuit seeking interlocutory appeal of the district court's decision granting the direct purchaser plaintiffs' motion for class certification under Federal Rule of Civil Procedure 23(f). The Third Circuit denied the Defendant's petition on October 27, 2017. On August 24, 2017, the court denied the indirect purchaser plaintiffs' motion for class certification. On September 7, 2017, the indirect purchaser plaintiffs filed a petition with the Third Circuit appealing the district court's denial of their motion for class certification. The Third Circuit denied the indirect purchaser plaintiff's petition on October 12, 2017.

On December 29, 2017 American Gypsum and the Company, as well as New NGC, Inc. ("New NGC"), and PABCO Building Products, LLC ("PABCO"), which are not affiliated with the Company, entered into a settlement agreement (the "Direct Purchaser Settlement Agreement") with counsel representing the direct purchaser class to settle all claims made against the Company, American, New NGC and PABCO in the direct purchaser class action. The Direct Purchaser Settlement Agreement, in which the Company and American deny all wrongdoing, also includes releases by the participating class members of the Company and American as well as their subsidiaries, affiliates, and other related parties, for the time period from January 1, 2012 through the date of execution of the Direct Purchaser Settlement Agreement. The Direct Purchaser Settlement Agreement grants the Company, American, New NGC, and PABCO the right to terminate the Direct Purchaser Settlement Agreement in the event an agreed upon percentage of potential class members opt-out of the Direct Purchaser Settlement Agreement. Additionally, the Direct Purchaser Settlement Agreement is conditioned on final approval of the District Court. On January 5, 2018 American Gypsum, New NGC, and PABCO entered into a settlement agreement (the "Indirect Purchaser Settlement Agreement) with counsel representing the indirect purchaser class to settle all claims against American Gypsum, New NGC and PABCO in the indirect purchaser class action. The Indirect Purchaser Settlement Agreement is conditioned on final approval of the District Court. Under the Direct and Indirect Purchaser Settlement Agreements, the Company and American agreed to pay a total of approximately $39.1 million in cash to settle the claims against them. At December 31, 2017 we accrued the total amount of these two settlements and these amounts are expected to be paid in the next twelve months.

On March 17, 2015, a group of homebuilders filed a complaint against the defendants, including American Gypsum, based upon the same conduct alleged in the consolidated class action complaints. On March 24, 2015, the JPML transferred this action to the multidistrict litigation already pending in the Eastern District of Pennsylvania. Following the transfer, the homebuilder plaintiffs filed two amended complaints, on December 14, 2015 and March 25, 2016. As a result of settlements reached with TIN and Lafarge, the homebuilder plaintiffs voluntarily dismissed their claims against TIN and Lafarge on June 6 and June 24, 2016, respectively. On January 31, 2017, the plaintiffs voluntarily dismissed their claims against CertainTeed. Discovery in this lawsuit is ongoing. At this stage, we are unable to estimate the amount of any reasonably possible loss or range of reasonably possible losses for this claim.

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In June 2015, American Gypsum and an employee received grand jury subpoenas from the United States District Court for the Western District of North Carolina seeking information regarding an investigation of the gypsum drywall industry by the Antitrust Division of the Department of Justice. We believe the investigation, although a separate proceeding, is related to the same subject matter at issue in the litigation described above and we intend to fully cooperate with government officials. Given its preliminary nature, we are currently unable to determine the ultimate outcome of such investigation.

(P) FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of our long-term debt has been estimated based upon our current incremental borrowing rates for similar types of borrowing arrangements. The fair value of our Senior Unsecured Notes and Private Placement Senior Unsecured Notes at December 31, 2017 is as follows:

	Fair Value (dollars in thousands)
Series 2007A Tranche D	38,126
4.5% Senior Unsecured Notes Due 2026	365,190

The estimated fair values were based on quoted prices of similar debt instruments with similar terms that are publicly traded (level 2 input). The carrying values of cash and cash equivalents, accounts and notes receivable, accounts payable and accrued liabilities approximate their fair values at December 31, 2017 due to the short-term maturities of these assets and liabilities. The fair value of our Credit Facility also approximates its carrying value at December 31, 2017.

(Q) FINANCIAL STATEMENTS FOR GUARANTORS OF THE 4.500% SENIOR UNSECURED NOTES

On August 2, 2016, the Company completed a public offering of its Senior Unsecured Notes. The Senior Unsecured Notes are senior unsecured obligations of the Company and were offered under the Company's existing shelf registration statement filed with the Securities and Exchange Commission.

The Senior Unsecured Notes are guaranteed by all of the Company's wholly-owned subsidiaries, and all guarantees are full and unconditional and are joint and several. The following unaudited condensed consolidating financial statements present separately the earnings and comprehensive earnings, financial position and cash flows of the parent issuer (Eagle Materials Inc.) and the guarantors (all wholly-owned subsidiaries of Eagle Materials Inc.) on a combined basis with eliminating entries (dollars in thousands).

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Condensed Consolidating Statement of Earnings and Comprehensive Earnings		Guarantor		
For the Three Months Ended December 31, 2017	Parent	Subsidiaries	Eliminations	Consolidated
Revenues	$—	$ 359,371	$ —	$ 359,371
Cost of Goods Sold	—	264,805	—	264,805
Gross Profit	—	94,566	—	94,566
Equity in Earnings of Unconsolidated Joint Venture	11,372	11,372	(11,372)	11,372
Equity in Earnings of Subsidiaries	138,597	—	(138,597)	—
Corporate General and Administrative Expenses	(9,035)	(848)	—	(9,883)
Legal Settlement	(39,098)	—	—	(39,098)
Other Non-Operating Income	262	822	—	1,084
Interest Expense, net	(17,005)	10,352	—	(6,653)
Earnings before Income Taxes	85,093	116,264	(149,969)	51,388
Income Tax Expense	16,287	33,705	—	49,992
Net Earnings	$101,380	$ 149,969	$ (149,969)	$ 101,380
Net Earnings	$101,380	$ 149,969	$ (149,969)	$ 101,380
Net Actuarial Change in Benefit Plans, net of tax	197	197	(197)	197
Comprehensive Earnings	$101,577	$ 150,166	$ (150,166)	$ 101,577

Condensed Consolidating Statement of Earnings and Comprehensive Earnings		Guarantor		
For the Three Months Ended December 31, 2016	Parent	Subsidiaries	Eliminations	Consolidated
Revenues	$—	$ 302,395	$ —	$ 302,395
Cost of Goods Sold	—	215,015	—	215,015
Gross Profit	—	87,380	—	87,380
Equity in Earnings of Unconsolidated Joint Venture	11,244	11,244	(11,244)	11,244
Equity in Earnings of Subsidiaries	60,294	—	(60,294)	—
Corporate General and Administrative Expenses	(7,942)	(1,224)	—	(9,166)
Other Non-Operating Income (Loss)	(264)	693	—	429
Interest Expense, net	(14,413)	8,215	—	(6,198)
Earnings before Income Taxes	48,919	106,308	(71,538)	83,689
Income Tax Expense	7,468	(34,770)	—	(27,302)
Net Earnings	$56,387	$ 71,538	$ (71,538)	56,387
Net Earnings	$56,387	$ 71,538	$ (71,538)	56,387
Net Actuarial Change in Benefit Plans, net of tax	312	312	(312)	312
Comprehensive Earnings	$56,699	$ 71,850	$ (71,850)	$ 56,699

Condensed Consolidating Statement of Earnings and Comprehensive Earnings		Guarantor		
For the Nine Months Ended December 31, 2017	Parent	Subsidiaries	Eliminations	Consolidated
Revenues	$—	$ 1,101,807	$ —	$ 1,101,807
Cost of Goods Sold	—	824,428	—	824,428
Gross Profit	—	277,379	—	277,379
Equity in Earnings of Unconsolidated Joint Venture	33,203	33,203	(33,203)	33,203
Equity in Earnings of Subsidiaries	261,389	—	(261,389)	—
Corporate General and Administrative Expenses	(26,861)	(2,522)	—	(29,383)
Legal Settlement	(39,098)	—	—	(39,098)
Other Non-Operating Income (Loss)	(84)	2,812	—	2,728
Interest Expense, net	(43,800)	22,208	—	(21,592)
Earnings before Income Taxes	184,749	333,080	(294,592)	223,237
Income Tax Expense	34,875	(38,488)	—	(3,613)
Net Earnings	$ 219,624	$ 294,592	$ (294,592)	$ 219,624
Net Earnings	$ 219,624	$ 294,592	$ (294,592)	$ 219,624
Net Actuarial Change in Benefit Plans, net of tax	591	591	(591)	591
Comprehensive Earnings	$ 220,215	$ 295,183	$ (295,183)	$ 220,215

Condensed Consolidating Statement of Earnings and Comprehensive Earnings		Guarantor		
For the Nine Months Ended December 31, 2016	Parent	Subsidiaries	Eliminations	Consolidated
Revenues	$—	$ 932,557	$ —	$ 932,557
Cost of Goods Sold	—	682,012	—	682,012
Gross Profit	—	250,545	—	250,545
Equity in Earnings of Unconsolidated Joint Venture	31,371	31,371	(31,371)	31,371
Equity in Earnings of Subsidiaries	171,466	—	(171,466)	—
Corporate General and Administrative Expenses	(23,670)	(4,161)	—	(27,831)
Other Non-Operating Income (Loss)	(478)	2,486	—	2,008
Interest Expense, net	(36,778)	21,023	—	(15,755)
Earnings before Income Taxes	141,911	301,264	(202,837)	240,338
Income Tax Expense	20,057	(98,427)	—	(78,370)
Net Earnings	$ 161,968	$ 202,837	$ (202,837)	161,968
Net Earnings	$ 161,968	$ 202,837	$ (202,837)	161,968
Net Actuarial Change in Benefit Plans, net of tax	936	936	(936)	936
Comprehensive Earnings	$ 162,904	$ 203,773	$ (203,773)	$ 162,904

Condensed Consolidating Balance Sheet		Guarantor		
At December 31, 2017	Parent	Subsidiaries	Eliminations	Consolidated
ASSETS				