Summit Materials, Inc.
Form 10-K
February 14, 2018
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended December 30, 2017

OR

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

For the transition period from to

Commission file numbers:

001-36873 (Summit Materials, Inc.)

333-187556 (Summit Materials, LLC)

SUMMIT MATERIALS, INC.

SUMMIT MATERIALS, LLC

(Exact name of registrants as specified in their charters)

Delaware (Summit Materials, Inc.)	47-1984212
Delaware (Summit Materials, LLC)	26-4138486
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer 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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Class A Common Stock (par value $.01 per share)	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

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

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

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

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a 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.

Summit Materials, Inc.

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

Summit Materials, LLC

Large accelerated filer		Accelerated filer
Non-accelerated filer	(Do not check if 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).

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

The aggregate market value of the Summit Materials, Inc. voting stock held by non-affiliates of the Registrants as of July 1, 2017 was approximately $3.1 billion.

As of February 7, 2018, 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 110,365,594 and 100, respectively.

As of February 7, 2018, 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.

DOCUMENTS INCORPORATED BY REFERENCE

Certain information required by Items 10, 11, 12, 13 and 14 of Part III incorporate information by reference from Summit Materials, Inc.'s definitive proxy statement relating to its 2018 annual meeting of stockholders to be filed with the Securities and Exchange Commission within 120 days after the close of Summit Materials, Inc.'s fiscal year.

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EXPLANATORY NOTE

This annual report on Form 10-K (this “report”) is a combined annual 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 annual reports on Form 10-K 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,” “Summit Materials” 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 December 30, 2017, its sole material asset was a 96.8% 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”), our 6 $1/_8$% senior notes due 2023 (“2023 Notes”) and our 5 $1/_8$% senior notes due 2025 (“2025 Notes” and collectively with the 2022 Notes and 2023 Notes, the “Senior Notes”). Summit Inc.’s only revenue for the year ended December 30, 2017 is that generated by Summit LLC. Summit Inc. controls all of the business and affairs of Summit Holdings and, in turn, Summit LLC, as a result of its reorganization into a holding corporation structure (the “Reorganization”) consummated in connection with its initial public offering.

DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

This report contains “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 conc strategy, plans, expectations or intentions. All non-historical statements such as those 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 and uncertainties that may change at any time, and, therefore, our actual results may differ materially from those expected. 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 it is impossible to anticipate all factors that could affect our actual results.

Some of the important factors that could cause actual results to differ materially from our expectations are disclosed under “Risk Factors” and elsewhere in this report. 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.

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 otherwise required by law.

CERTAIN DEFINITIONS

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

· “board” and the “directors” refer to the board and the directors of Summit Inc. following its March 2015 initial public offering (“IPO”) and to the board and the directors of the general partner of Summit Holdings prior to Summit Inc.’s IPO;

· “Continental Cement” refers to Continental Cement Company, L.L.C.;

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

- "EBITDA" refers to net income (loss) before interest expense, income tax expense (benefit), depreciation, depletion and amortization expense;

- "Finance Corp." refers to Summit Materials Finance Corp., an indirect wholly-owned subsidiary of Summit LLC and the co-issuer of the Senior Notes;

- "Issuers" refers to Summit LLC and Finance Corp. as co issuers of the Senior Notes;

- "LP Units" refers to the Class A limited partnership units of Summit Holdings;

- "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.;

- "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.; and

- "TRA" refers to tax receivable agreement between Summit Inc. and holders of LP Units.

See "Business—Acquisition History" for a table of acquisitions we have completed since August 2009.

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Corporate Structure

The following chart summarizes our organizational structure, equity ownership and our principal indebtedness as of December 30, 2017. 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) U.S. Securities and Exchange Commission ("SEC") registrant.

(2) The shares of Class B Common Stock are currently held by pre-IPO investors, including certain members of management or their family trusts that directly hold LP Units. A holder of Class B Common Stock is entitled, without regard to the number of shares of Class B Common Stock held by such holder, to a number of votes that is equal to the aggregate number of LP Units held by such holder.

(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. was formed solely for the purpose of serving as co-issuer or guarantor of certain indebtedness, including the Senior Notes. Finance Corp. does not and will not have operations

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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 or guarantor of certain indebtedness.

PART I

Item 1.BUSINESS.

Overview

We are one of the fastest growing construction materials companies in the United States, with a 111% increase in revenue between the year ended December 28, 2013 and the year ended December 30, 2017. Within our markets, we offer customers a single source provider for construction materials and related downstream products through our vertical integration. Our materials include aggregates, which we supply across the United States, and in British Columbia, Canada, and cement, which we supply to surrounding states along the Mississippi River from Minneapolis to New Orleans. In addition to supplying aggregates to customers, we use our materials internally to produce ready mix concrete and asphalt paving mix, which may be sold externally or used in our paving and related services businesses. Our vertical integration creates opportunities to increase aggregates volumes, optimize margin at each stage of production and provide customers with efficiency gains, convenience and reliability, which we believe gives us a competitive advantage.

Since our inception in 2009, we have become a major participant in the U.S. construction materials industry. We believe that, by volume, we are a top 10 aggregates supplier, a top 15 cement producer and a major producer of ready mix concrete and asphalt paving mix. Our proven and probable aggregates reserves were 3.3 billion tons as of December 30, 2017. In the year ended December 30, 2017 we sold 41.7 million tons of aggregates, 2.5 million tons of cement, 4.7 million cubic yards of ready-mix concrete and 5.3 million tons of asphalt paving mix across our more than 400 sites and plants.

The rapid growth we have achieved over the last eight years has been due in large part to our acquisitions, which we funded through equity issuances, debt financings and cash from operations. Over the past decade, the U.S. economy witnessed a cyclical decline followed by a gradual recovery in the private construction market and modest growth in public infrastructure spending. The U.S. private construction market has grown in recent years both nationally and in our markets. We believe we are well positioned to capitalize on this growth to expand our business.

Our revenue in 2017 was $1.9 billion with net income of $125.8 million. As of December 30, 2017, our total indebtedness outstanding was approximately $1.8 billion.

We anticipate continued growth in our primary end markets, public infrastructure and the private construction market. Public infrastructure, which includes spending by federal, state and local governments for roads, highways, bridges, airports and other public infrastructure projects, has been a relatively stable portion of government budgets providing consistent demand to our industry and is projected by the Portland Cement Association (“PCA”) to grow approximately 17% from 2018 to 2022. With the nation’s infrastructure aging, there is increasing momentum to grow federal infrastructure spending among certain legislators and the U.S. President. We also believe states will continue to institute state and local level funding initiatives dedicated towards increased infrastructure spending. We believe that growth in infrastructure spending will not be consistent across the United States, but will vary across different geographies. The public infrastructure market represented 33% of our revenue in 2017.

The private construction market includes residential and nonresidential new construction and the repair and remodel market. According to the PCA, the number of total housing starts in the United States, a leading indicator for our residential business, is expected to grow 6% from 2018 to 2022. In addition, the PCA projects that spending in private nonresidential construction will grow 7% over the same period. We do not believe that growth in private construction spending will be consistent across the United States, but will instead be concentrated in certain regions. The private construction market represented 67% of our revenue in 2017.

In addition to the anticipated domestic demand growth in our end markets, we expect continued improvement in pricing, especially in our materials businesses. The PCA estimates that cement consumption will increase approximately 16% from 2018 to 2022, reflecting rising demand in the major end markets. We believe that the increased demand will drive higher cement pricing as production capacity in the United States tightens. The PCA projects consumption will exceed domestic U.S. cement capacity between 2019 and 2020.

Historically, we have supplemented organic growth with acquisitions by strategically targeting attractive, new markets or expanding in existing markets. We consider population trends, employment rates, competitive landscape, private construction outlook, public funding and various other factors prior to entering a new market. In addition to analyzing macroeconomic data, we seek to establish, and believe that we have, a top three position in our local markets, which we believe supports improving profit margins and sustainable organic growth. This positioning provides local economies of scale and synergies, which benefits our profitability.

Our acquisition strategy, to date, has helped us to achieve scale and rapid growth, and we believe that significant opportunities remain for growth through acquisitions. We estimate that approximately 65% of the U.S. construction materials market is privately owned. Our management team maintains contact with over 300 private companies. These long standing relationships, cultivated over decades, have been the primary source for our past acquisitions and, we believe, will continue to be an important source for future acquisitions. We believe we offer a compelling value proposition for private company sellers, including secure ongoing stewardship of their legacy businesses.

Our Business Segments

We operate in 23 U.S. states and in British Columbia, Canada and have assets in 22 U.S. states and in British Columbia, Canada through our platforms that make up our operating segments: West; East; and Cement. The platform businesses in the West and East segments have their own management teams that report to a segment president. The segment presidents are responsible for overseeing the operating platforms, implementing best practices, developing growth opportunities and integrating acquired businesses. Acquisitions are an important element of our strategy, as we seek to enhance value through increased scale, efficiencies and cost savings within local markets.

- West Segment: Our West segment includes operations in Texas, Utah, Colorado, Idaho, Wyoming, Oklahoma, Nevada and British Columbia, Canada. We supply aggregates, ready mix concrete, asphalt paving mix and paving and related services in the West segment. As of December 30, 2017, the West segment controlled approximately 1.1 billion tons of proven and probable aggregates reserves and $555.1 million of net property, plant and equipment and inventories (“hard assets”). During the year ended December 30, 2017, approximately 52% of our revenue was generated in the West segment.

- East Segment: Our East segment serves markets extending across the Midwestern and Eastern United States, most notably in Kansas, Missouri, Virginia, Kentucky, North Carolina, South Carolina, Arkansas and Nebraska where we supply aggregates, ready mix concrete, asphalt paving mix and paving and related services. As of December 30, 2017, the East segment controlled approximately 1.7 billion tons of proven and probable aggregates reserves and $623.8 million of hard assets. During the year ended December 30, 2017, approximately 32% of our revenue was generated in the East segment.

· Cement Segment: Our Cement segment consists of our Hannibal, Missouri and Davenport, Iowa cement plants and 10 distribution terminals along the Mississippi River from Minnesota to Louisiana. Our highly efficient plants are complemented by our integrated distribution system that spans the Mississippi River. We process solid and liquid waste into fuel from the plants, which can reduce the plants' fuel costs by up to 50%. The Hannibal, Missouri plant is one of very few facilities in the United States that can process both hazardous and non-hazardous solid and liquid waste into fuel. As of December 30, 2017, the Cement segment controlled approximately 0.5 billion tons of proven and probable aggregates reserves, which serve its cement business, and $611.7 million of hard assets. During the year ended December 30, 2017, approximately 16% of our revenue was generated in the Cement segment.

Additional information concerning our total revenue, profit, assets employed and certain additional information attributable to each segment is included in "Note 20: Segment Information" of the "Notes to the Financial Statements" of our 2017 consolidated financial statements, which are included under Item 8 of this Form 10-K.

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Acquisition History

The following table lists acquisitions we have completed since August 2009:

Company	Date of Acquisition	Segment
Hamm, Inc.	August 25, 2009	East
Hinkle Contracting Company, LLC	February 1, 2010	East
Cornejo & Sons LLC and affiliates	April 16, 2010	East
Elmo Greer & Sons, LLC	April 20, 2010	East
Continental Cement LLC	May 27, 2010	Cement
Harshman Construction L.L.C. and Harshman Farms, Inc.	June 15, 2010	East
South Central Kentucky Limestone, LLC	July 23, 2010	East
Harper Contracting, Inc. and affiliates	August 2, 2010	West
Kilgore Pavement Maintenance, LLC and Kilgore Properties, LLC	August 2, 2010	West
Con-Agg of MO, L.L.C.	September 15, 2010	East
Altaview Concrete, LLC and affiliates	September 15, 2010	West
EnerCrest Products, Inc.	September 28, 2010	West
RK Hall Construction, Ltd and affiliates	November 30, 2010	West
Triple C Concrete, Inc.	January 14, 2011	West
Elam Construction, Inc.	March 31, 2011	West
Bourbon Limestone Company	May 27, 2011	East
Fischer Quarries, L.L.C.	May 27, 2011	East
B&B Resources, Inc. and affiliates	June 8, 2011	West
Grand Junction Concrete Pipe, Inc.	June 10, 2011	West
Industrial Asphalt, LLC and affiliates	August 2, 2011	West
J. D. Ramming Paving Co. LLC and affiliates	October 28, 2011	West
Norris Quarries, LLC	February 29, 2012	East
Kay & Kay Contracting, LLC	October 5, 2012	East
Sandco Inc.	November 30, 2012	West
Lafarge-Wichita	April 1, 2013	East
Westroc, LLC	April 1, 2013	West
Alleyton Resource Company LLC and affiliates	January 17, 2014	West
Troy Vines, Inc.	March 31, 2014	West
Buckhorn Materials, LLC and affiliate	June 9, 2014	East
Canyon Redi-Mix, Inc. and affiliate	July 29, 2014	West
Mainland Sand & Gravel ULC and affiliates	September 4, 2014	West
Southwest Ready Mix, LLC	September 19, 2014	West
Colorado County Sand & Gravel Co., LLC and affiliates	September 30, 2014	West
Concrete Supply of Topeka, Inc. and affiliates	October 3, 2014	East
Lewis & Lewis, Inc.	June 1, 2015	West
Davenport Assets	July 17, 2015	Cement
LeGrand Johnson Construction Co.	August 21, 2015	West
Pelican Asphalt Company, LLC.	December 11, 2015	West
American Materials Company	February 5, 2016	East

Boxley Materials Company	March 18, 2016	East
Sierra Ready Mix, LLC	April 29, 2016	West
Oldcastle Assets	May 20, 2016	East
Weldon Real Estate LLC	August 8, 2016	East
H. C. Rustin Corporation	August 19, 2016	West
RD Johnson Excavating Company LLC and affiliate	August 26, 2016	East
Angelle Assets	August 30, 2016	Cement
Midland Concrete Ltd.	October 3, 2016	West
Everist Materials, LLC.	January 30, 2017	West
Razorback Concrete Company	February 24, 2017	East
Sandidge Manufacturing, Inc.	March 17, 2017	East
Hanna’s Bend Aggregate Ltd	April 3, 2017	West
Carolina Sand, LLC	April 3, 2017	East
Winvan Paving Ltd.	May 1, 2017	West
Glasscock Company, Inc. and affiliate	May 12, 2017	East
Ready Mix Concrete of Somerset and affiliate	July 28, 2017	East

Company	Date of Acquisition	Segment
Great Southern Ready Mix LLC and affiliates	July 31, 2017	West
Northwest Ready Mix, Inc. and affiliate	August 1, 2017	West
Georgia Stone Products, LLC.	August 3, 2017	East
Alan Ritchey Materials Company LC	August 20, 2017	West
Columbia Silica Sand, Inc. and affiliates	September 8, 2017	East
Stockman Quarry LLC and affiliate	October 6, 2017	East
Metro Ready Mix, LLC	January 5, 2018	West
Price Construction, Ltd and affiliates	January 12, 2018	West
Mertens Construction Company, Inc. and affiliates	January 26, 2018	East

Our End Markets

Public Infrastructure. Public infrastructure construction includes spending by federal, state and local governments for highways, bridges, airports, schools, public buildings and other public infrastructure projects. Public infrastructure spending has historically been more stable than private sector construction. We believe that public infrastructure spending is less sensitive to interest rate changes and economic cycles and often is supported by multi-year federal and state legislation and programs. A significant portion of our revenue is derived from public infrastructure projects. As a result, the supply of federal and state funding for public infrastructure highway construction significantly affects our public infrastructure end-use business.

In the past, public infrastructure sector funding was underpinned by a series of six year federal highway authorization bills. Federal funds are allocated to the states, which are required to match a portion of the federal funds they receive. Federal highway spending uses funds predominantly from the Federal Highway Trust Fund, which derives its revenue from taxes on diesel fuel, gasoline and other user fees. The dependability of federal funding allows the state departments of transportation to plan for their long term highway construction and maintenance needs. The Fixing America’s Surface Transportation (“FAST”) Act was signed into law on December 4, 2015 and authorizes $305 billion of funding between 2016 and 2020. It extends five years and provides funding for surface transportation infrastructure, including roads, bridges, transit systems, and the rail transportation network.

Residential Construction. Residential construction includes single family homes and multi family units such as apartments and condominiums. Demand for residential construction is influenced by employment prospects, new household formation and mortgage interest rates. In recent years, residential construction demand has been growing, although the rate of growth has varied across the U.S.

Nonresidential Construction. Nonresidential construction encompasses all privately financed construction other than residential structures. Demand for nonresidential construction is driven by population and economic growth. Population growth spurs demand for stores, shopping centers and restaurants. Economic growth creates demand for projects such as hotels, office buildings, warehouses and factories, although growth rates vary across the U.S. The supply of nonresidential construction projects is affected by interest rates and the availability of credit to finance these projects.

Our Competitive Strengths

Leading market positions. We believe each of our operating companies has a top three market share position in its local market area achieved through their respective, extensive operating histories, averaging over 30 years. We believe we are a top 10 supplier of aggregates, a top 15 producer of cement and a major producer of ready mix concrete and asphalt paving mix in the United States by volume. We focus on acquiring aggregate-based companies that have leading local market positions, which we seek to enhance by building scale through additional bolt-on acquisitions. The construction materials industry is highly local in nature due to transportation costs from the high weight to value ratio of the products. Given this dynamic, we believe achieving local market scale provides a competitive advantage that drives growth and profitability for our business. We believe that our ability to prudently acquire, rapidly integrate and improve multiple businesses has enabled, and will continue to enable, us to become market leaders.

Operations positioned to benefit from attractive industry fundamentals. We believe the construction materials industry has attractive fundamentals, characterized by high barriers to entry and a stable competitive environment in the majority of markets. Barriers to entry are created by scarcity of raw material resources, limited efficient distribution range, asset intensity of equipment, land required for quarry operations and a time consuming and complex regulatory

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and permitting process. According to the January 2018 U.S. Geological Survey, aggregates pricing in the United States had increased in 64 of the previous 75 years, with growth accelerating since 2002 as continuing resource scarcity in the industry has led companies to focus increasingly on improved pricing strategies.

One contributing factor that supports pricing growth through the economic cycles is that aggregates and asphalt paving mix have significant exposure to public road construction, which has demonstrated growth over the past 30 years, even during times of broader economic weakness. The majority of public road construction spending is funded at the state level through the states' respective departments of transportation. Texas, Utah and Missouri, three of the states in which we have had our highest revenues, have funds with certain constitutional protections for revenue sources dedicated for transportation projects. These dedicated, earmarked funding sources limit the negative effect current state deficits may have on public spending. As a result, we believe our business' profitability is significantly more stable than most other building product subsectors.

Vertically integrated business model. We generate revenue across a spectrum of related products and services. Approximately 25% of the aggregates used in our products and services are internally supplied. Our vertically integrated business model enables us to operate as a single source provider of materials and paving and related services, creating cost, convenience and reliability advantages for our customers, while at the same time creating significant cross marketing opportunities among our interrelated businesses. We believe this creates opportunities to increase aggregates volumes, optimize margin at each stage of production, foster more stable demand for aggregates through a captive demand outlet, create a competitive advantage through the efficiency gains, convenience and reliability provided to customers and enhance our acquisition strategy by providing a greater population of target companies.

Attractive diversity, scale and product portfolio. We operate in 43 metropolitan statistical areas across 23 U.S. states and in British Columbia, Canada. Between the year ended December 28, 2013 and the year ended December 30, 2017, we grew our revenue by 111% and brought substantial additional scale and geographic diversity to our operations. In the year ended December 30, 2017, 45.3% of our operating income increase came from the West segment, 31.1% from the Cement segment and 23.6% from East segment, excluding corporate charges. We have approximately 3.3 billion tons of proven and probable aggregates reserves serving our aggregates and cement business. We estimate that the useful life of our proven and probable reserves serving our aggregates and cement businesses are approximately 80 years and 270 years, respectively, based on the average production rates in 2017 and 2016.

Our dry process cement plants in Hannibal, Missouri and Davenport, Iowa were commissioned in 2008 and 1981, respectively. These low-cost cement plants have efficient manufacturing capabilities and are strategically located on the Mississippi River and complemented by an extensive network of river and rail fed distribution terminals. Our terminal network can accept imported cement to supplement our internal production capacity as demand and market conditions dictate. According to PCA forecasts, consumption of cement in the United States is expected to exceed production capacity between 2019 and 2020. Due to the location of our Hannibal and Davenport plants on the Mississippi River, in 2017, approximately 70% of cement distributed to our terminals and customers was shipped by barge, which is generally more cost-effective than truck transport.

Proven ability to incorporate new acquisitions and grow businesses. We have acquired dozens of businesses, successfully integrating them into three segments through the implementation of operational improvements, industry proven information technology systems, a comprehensive safety program and best in class management programs. A typical acquisition generally involves retaining the local management team of the acquired business, maintaining operational decisions at the local level, implementing common back-office systems, driving best practices, and providing management support, strategic direction and financial capital for investment under a leadership directed by Tom Hill, our President and Chief Executive Officer, a 35 year industry veteran. These acquisitions have helped us achieve significant revenue growth, from $0.4 billion in 2010 to $1.9 billion in 2017.

Experienced and proven leadership driving organic growth and acquisition strategy. Our management team has a proven track record of creating value. In addition to Mr. Hill, our management team, including corporate and segment managers, corporate development, finance executives and other heavy side industry operators, has extensive experience in the industry. Our management team has a proven track record of executing and successfully integrating acquisitions in the sector.

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Our Business Strategy

Leverage vertically integrated and strategically located operations for growth. We believe that our vertical integration of construction materials, products and services is a significant competitive advantage that we will leverage to grow share in our existing markets and enter into new markets. A significant portion of materials used to produce our products and provide services to our customers is internally supplied, which enables us to operate as a single source provider of materials, products and paving and related services. This creates cost, convenience and reliability advantages for our customers and enables us to capture additional value throughout the supply chain, while at the same time creating significant cross marketing opportunities among our interrelated businesses.

Enhance margins and free cash flow generation through implementation of operational improvements. Our management team includes individuals with decades of experience in our industry and proven success in integrating acquired businesses and organically growing operations. We have enhanced margins through proven profit optimization plans, leveraging information technology and financial systems to control costs, managing working capital and achieving scale driven purchasing synergies and fixed overhead control and reduction. Our segment presidents, supported by our operations, development, risk management, information technology and finance teams, drive the implementation of detailed and thorough profit optimization plans for each acquisition post close, which typically includes, among other things, implementation of a systematic pricing strategy, safety, commercial strategies, operational benefits, efficiency improvement plans and business-wide cost reduction techniques.

Expand local positions in the most attractive markets through targeted capital investments and bolt on acquisitions. We seek to expand our business through organic growth and bolt on acquisitions in each of our local markets. Our acquisition strategy involves acquiring platforms that serve as the foundation for continued incremental and complementary growth via locally situated bolt on acquisitions to these platforms. We believe that increased local market scale drives profitable growth through efficiencies. Our existing platform of operations is expected to enable us to grow significantly as we expand in our existing markets. In pursuing our growth strategy, we believe that our balance sheet and liquidity position will enable us to acquire many of the bolt on acquisitions and platforms that we seek to purchase, but we may also pursue larger acquisition transactions that may require us to raise additional equity capital and or debt from time to time. Consistent with this strategy, we regularly evaluate potential acquisition opportunities, including ones that would be significant to us. We cannot predict the timing of any contemplated transactions.

Drive profitable growth through strategic acquisitions. Our growth to a top 10 U.S. construction materials company has been a result of the successful execution of our acquisition strategy and implementation of best practices to drive organic growth. Based on aggregates sales, in volumes, we believe that we are currently a top 10 player, which we achieved within five years of our first acquisition. We believe that the relative fragmentation of our industry creates an environment in which we can continue to acquire companies at attractive valuations and increase scale and diversity over time through strategic acquisitions in markets adjacent to our existing markets within the states where we currently operate, as well as into additional states as market and competitive conditions support further growth.

Capitalize on recovery in the U.S. economy and construction markets. Given the nation's aging infrastructure and considering longstanding historical spending trends, we expect U.S. infrastructure investment to grow over time. We believe we are well positioned to capitalize on any such increase in investment. The residential and nonresidential markets are showing positive growth signs in varying degrees across our markets. The PCA forecasts total housing starts to accelerate to 1.34 million in the United States by 2022. The American Institute of Architects' Consensus Construction Forecast projects nonresidential construction to grow 3.6% in 2018. We believe that we have sufficient exposure to the public infrastructure, residential and nonresidential end markets to benefit from a potential recovery in all of our markets.

Our Industry

The U.S. construction materials industry is composed of four primary sectors: aggregates; cement; ready mix concrete; and asphalt paving mix. Each of these materials is widely used in most forms of construction activity. Participants in these sectors typically range from small, privately held companies focused on a single material, product or market to multinational corporations that offer a wide array of construction materials and services. Competition is constrained in part by the distance materials can be transported efficiently, resulting in predominantly local or regional operations. Due to the lack of product differentiation, competition for all of our products is predominantly based on price and, to a lesser extent, quality of products and service. As a result, the prices we charge our customers are not likely to

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be materially different from the prices charged by other producers in the same markets. Accordingly, our profitability is generally dependent on the level of demand for our products and our ability to control operating costs.

Transportation infrastructure projects, driven by both federal and state funding programs, represent a significant share of the U.S. construction materials market. Federal funds are allocated to the states, which are required to match a portion of the federal funds they receive. Federal highway spending uses funds predominantly from the Federal Highway Trust Fund, which derives its revenue from taxes on diesel fuel, gasoline and other user fees. The dependability of federal funding allows the state departments of transportation to plan for their long term highway construction and maintenance needs. Funding for the existing federal transportation funding program extends through 2020. With the nation’s infrastructure aging, there is increased demand by states and municipalities for long-term federal funding to support the construction of new roads, highways and bridges in addition to the maintaining the existing infrastructure. The U.S. President and his administration have called for, among other things, an infrastructure stimulus plan. However, there is currently a lack of clarity around both the timing and details of any such infrastructure plan and the impact, if any, it or other proposed changes in law and regulations may have on our business.

In addition to federal funding, state, county and local agencies provide highway construction and maintenance funding. Our four largest states by revenue, Texas, Utah, Kansas and Missouri, represented approximately 21%, 13%, 12% and 9%, respectively, of our total revenue in 2017.

Our Industry and Operations

Demand for our products is observed to have low elasticity in relation to prices. We believe this is partially explained by the absence of competitive replacement products. We do not believe that increases in our products’ prices are likely to affect the decision to undertake a construction project since these costs usually represent a small portion of total construction costs.

We operate our construction materials and products and paving and related services businesses through local management teams, which work closely with our end customers to deliver the materials, products and services that meet each customer’s specific needs for a project. We believe that this strong local presence gives us a competitive advantage by allowing us to obtain a unique understanding for the evolving needs of our customers.

We have operations in 23 U.S. states and in British Columbia, Canada. Our business in each region is vertically integrated. We supply aggregates internally for the production of cement, ready mix concrete and asphalt paving mix and a significant portion of our asphalt paving mix is used internally by our paving and related services businesses. In the year ended December 30, 2017, approximately 75% of our aggregates production was sold directly to outside customers with the remaining amount being further processed by us and sold as a downstream product. In addition, we operate a municipal waste landfill in our East segment, and have construction and demolition debris landfills and liquid asphalt terminal operations in our West and East segments.

Approximately 73% of our asphalt paving mix was installed by our paving and related services businesses in the year ended December 30, 2017. We charge a market price and competitive margin at each stage of the production process in order to optimize profitability across our operations. Our production value chain is illustrated as follows:

Aggregates

Aggregates are key material components used in the production of cement, ready mix concrete and asphalt paving mixes for the public infrastructure, residential and nonresidential end markets and are also widely used for various applications and products, such as road and building foundations, railroad ballast, erosion control, filtration, roofing granules and in solutions for snow and ice control. Generally extracted from the earth using surface or underground mining methods, aggregates are produced from natural deposits of various materials such as limestone, sand and gravel, granite and trap rock. Aggregates are produced mainly from blasting hard rock from quarries and then crushing and screening it to various sizes to meet our customers' needs. The production of aggregates also involves the extraction of sand and gravel, which requires less crushing, but still requires screening for different sizes. Aggregate production utilizes capital intensive heavy equipment which includes the use of loaders, large haul trucks, crushers, screens and other heavy equipment at quarries. Once extracted, processed and/or crushed and graded on-site into crushed stone, concrete and masonry sand, specialized sand, pulverized lime or agricultural lime, they are supplied directly to their end use or incorporated for further processing into construction materials and products, such as cement, ready mix concrete and asphalt paving mix. The minerals are processed to meet customer specifications or to meet industry standard sizes. Crushed stone is used primarily in ready mix concrete, asphalt paving mix, and the construction of road base for highways.

We believe that the long term growth of the market for aggregates is predominantly driven by growth in population, employment and households, which in turn affects demand for transportation infrastructure and nonresidential construction, including stores, shopping centers and restaurants. While short term demand for aggregates fluctuates with economic cycles, the declines have historically been followed by strong recovery, with each peak establishing a new historical high. We believe we are in the midst of an extended economic recovery.

We mine limestone, gravel, and other natural resources from 103 crushed stone quarries and 102 sand and gravel deposits throughout the United States and in British Columbia, Canada. Our extensive network of quarries, plants and facilities, located throughout the regions in which we operate, enables us to have a nearby operation to meet the needs of customers in each of our markets. As of December 30, 2017, we had approximately 3.3 billion tons of proven and probable reserves of recoverable stone, and sand and gravel of suitable quality for economic extraction. Our estimate is based on drilling and studies by geologists and engineers, recognizing reasonable economic and operating restraints as to maximum depth of extraction and permit or other restrictions. Reported proven and probable reserves include only quantities that are owned or under lease, and for which all required zoning and permitting have been obtained. Of the 3.3 billion tons of proven and probable aggregates reserves, 1.9 billion, or 57%, are located on owned land and 1.4 billion are located on leased land.

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According to the August 2017 U.S. Geological Survey, approximately 1.5 billion tons of crushed stone with a value of approximately $15.1 billion was produced in the United States in 2016, which is consistent with the 1.5 billion tons produced in 2015. Sand and gravel production was approximately 1.0 billion tons in 2016 and 2015, valued at approximately $7.6 billion in 2016. The U.S. aggregate industry is highly fragmented relative to other building product markets, with numerous participants operating in localized markets and the top ten players controlling approximately 35% of the national market in 2017. In January 2017, the U.S. Geological Survey reported that a total of 1,430 companies operating 3,700 quarries and 82 underground mines produced or sold crushed stone in 2016 in the United States. This fragmentation is a result of the cost of transporting aggregates, which typically limits producers to a market area within approximately 40 miles of their production facilities.

Transportation costs are a major variable in determining aggregate pricing and marketing radius. The cost of transporting aggregate products from the plant to the market often equates to or exceeds the sale price of the product at the plant. As a result of the high transportation costs and the large quantities of bulk material that have to be shipped, finished products are typically marketed locally. High transportation costs are responsible for the wide dispersion of production sites. Where possible, construction material producers maintain operations adjacent to highly populated areas to reduce transportation costs and enhance margins. However, more recently, rising land values combined with local environmental concerns have been forcing production sites to move further away from the end use locations.

Each quarry location is unique with regards to demand for each product, proximity to competition and distribution network. Each of our aggregates operations is responsible for the sale and marketing of its aggregates products. Approximately 75% of our aggregates production is sold directly to outside customers and the remaining amount is further processed by us and sold as a downstream product. Even though aggregates are a commodity product, we work to optimize pricing depending on the site location, availability of a particular product, customer type, project type and haul cost. We sell aggregates to internal downstream operations at market prices.

A significant portion of annual demand for aggregates is derived from large public infrastructure and highway construction projects. According to the Montana Contractors' Association, approximately 38,000 tons of aggregate are required to construct a one mile stretch of a typical four lane interstate highway. Highways located in markets with significant seasonal temperature variances are particularly vulnerable to freeze thaw conditions that exert excessive stress on pavement and lead to more rapid surface degradation. Surface maintenance repairs, as well as general highway construction, occur in the warmer months, resulting in a majority of aggregates production and sales in the period from April through November in most states.

The primary national players are large vertically integrated companies, including Vulcan Materials Company, Martin Marietta Materials, Inc. ("Martin Marietta"), CRH plc, Heidelberg Cement plc ("Heidelberg"), LafargeHolcim and Cemex, S.A.B. de C.V. ("Cemex"), that have a combined estimated market share of approximately 30%. Our major aggregates competitors by segment include the following:

· West—CRH plc, Heidelberg, Martin Marietta, CEMEX, LafargeHolcim and various local suppliers.

· East—Martin Marietta, CRH plc, LafargeHolcim, Heidelberg, Vulcan Materials Company and various local suppliers.

We believe we have a strong competitive advantage in aggregates through our well located reserves and assets in key markets, high quality reserves and our logistic networks. We further share and implement best practices relating to safety, strategy, sales and marketing, production, and environmental and land management. Our vertical integration and local market knowledge enable us to maintain a strong understanding of the needs of our aggregates customers. In addition, our companies have a reputation for responsible environmental stewardship and land restoration, which assists us in obtaining new permits and new reserves.

Cement

Portland cement, an industry term for the common cement in general use around the world, is made from a combination of limestone, shale, clay, silica and iron ore. It is a fundamental building material consumed in several stages throughout the construction cycle of public infrastructure, residential and nonresidential projects. It is a binding agent that, when mixed with sand or aggregates and water, produces either ready mix concrete or mortar and is an

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important component of other essential construction materials. Cement is sold either in bulk or as branded products in bags, depending on its final user. Few construction projects can take place without utilizing cement somewhere in the design, making it a key ingredient used in the construction industry. The majority of all cement shipments are sent to ready mix concrete operators. The remaining shipments are directed to concrete paving projects or manufacturers of concrete-related products such as block and precast. Sales are made on the basis of competitive prices in each market and, as is customary in the industry, we do not typically enter into long term sales contracts. Nearly two thirds of U.S. consumption occurs between May and November, coinciding with end market construction activity.

The principal raw materials in cement are a blend of approximately 80% limestone and approximately 5% shale, with the remaining raw materials being clay and iron ore. Generally, the limestone and shale are mined from quarries located on site with the production plant. These core ingredients are blended and crushed into a fine grind and then preheated and ultimately introduced into a kiln heated to over 3,000°F. Under this extreme heat, a chemical transformation occurs uniting the elements to form a new substance with new physical and chemical characteristics. This new substance is called clinker and it is formed into pieces about the size of marbles. The clinker is then cooled and later ground into a fine powder that then is classified as Portland cement.

Cement production in the United States is distributed among 92 production facilities located across a majority of the states and is a capital intensive business with variable costs dominated by raw materials and energy required to fuel the kiln. Most U.S. cement producers are owned by large foreign companies operating in multiple international markets. Our largest competitors include LafargeHolcim and Buzzi Unicem. Construction of cement production facilities is highly capital intensive and requires long lead times to complete engineering design, obtain regulatory permits, acquire equipment and construct a plant.

As reported by the PCA in the 2017 United States Cement Industry Annual Yearbook, consumption is down significantly from the industry peak of approximately 140.9 million tons in 2005 to approximately 104.0 million tons in 2016 consistent with a decline in U.S. construction activity. U.S. cement consumption has at times outpaced domestic production capacity with the shortfall being supplied with imports, primarily from Canada, Greece, Turkey, China and South Korea. The PCA reports that cement imports remain below their peak of approximately 39.6 million tons in 2006 versus approximately 15.0 million tons in 2016. However, the PCA estimates that demand will exceed domestic supply between 2019 and 2020.

We operate a highly efficient, low-cost integrated cement manufacturing and distribution network through our cement plants in Hannibal, Missouri, 100 miles north of St. Louis, and Davenport, Iowa and our 10 terminals along the Mississippi River from Minnesota to Louisiana. The combined potential capacity at our Hannibal and Davenport cement plants is approximately 2.4 million short tons per annum. We also operate on site waste fuel processing facilities at the plants, which can reduce plant fuel costs by up to 50%. Our Hannibal plant is one of very few with hazardous waste fuel facilities permitted and operating out of 92 total cement plants in the United States. Competitive factors include price, reliability of deliveries, location, quality of cement and support services. With two cement plants, on site raw material supply, a network of cement terminals, and longstanding customer relationships, we believe we are well positioned to serve our customers.

Cement is a product that is costly to transport. Consequently, the radius within which a typical cement plant is competitive is typically limited to 150 miles from any shipping/distribution point. However, access to rail and barge can extend the distribution radius significantly. With both of our plants located strategically on the Mississippi River, we are able to distribute cement from both of our plants by truck, rail and barge directly to customers or to our 10 storage and distribution terminals along the Mississippi River. Our Hannibal and Davenport plants are strategically located on the Mississippi River and, consequently, in 2017, approximately 70% of cement distributed to our terminals and customers was shipped by barge, which is significantly more cost effective than truck transport.

On December 20, 2012, the EPA signed the Portland Cement – Maximum Achievable Control Technology (“PC MACT”), with which compliance was required in September 2015, notwithstanding certain extensions granted to individual cement plants to September 2016. Our Hannibal and Davenport cement plants utilize alternative fuels, hazardous and non hazardous at Hannibal and non hazardous at Davenport, as well as coal, natural gas and petroleum coke and, as a result, are subject to the Hazardous Waste Combustor of the National Emission Standards for Hazardous Air Pollutants (“HWC MACT”) and Commercial/Industrial Solid Waste Incinerators (“CISWI”) standards, respectively, rather than PC MACT standards. The costs to maintain compliance with the existing HWC MACT and CISWI standards are not expected to be material.

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Ready mix Concrete

Ready mix concrete is one of the most versatile and widely used materials in construction today. Its flexible recipe characteristics allow for an end product that can assume almost any color, shape, texture and strength to meet the many requirements of end users that range from bridges, foundations, skyscrapers, pavements, dams, houses, parking garages, water treatment facilities, airports, tunnels, power plants, hospitals and schools. The versatility of ready mix concrete gives engineers significant flexibility when designing these projects.

Cement, coarse aggregate, fine aggregate, water and admixtures are the primary ingredients in ready mix concrete. The cement and water are combined and a chemical reaction process called hydration occurs whereby a paste is produced. This paste or binder represents between 15 to 20% of the volume of the mix that coats each particle of aggregate and serves as the agent that binds the aggregates together, according to the National Ready Mixed Concrete Association ("NRMCA"). The aggregates represent approximately 60 to 75% of the mix by volume, with a small portion of volume (5 to 8%) consisting of entrapped air that is generated by using air entraining admixtures. Once fully hydrated, the workable concrete will then harden and take on the shape of the form in which it was placed.

The quality of a concrete mix is generally determined by the weight ratio of water to cement. Higher quality concrete is produced by lowering the water cement ratio as much as possible without sacrificing the workability of the fresh concrete. Specialty admixtures such as high range water reducers can aid in achieving this condition without sacrificing quality. Competition among ready mix concrete suppliers is generally based on product characteristics, delivery times, customer service and price. Product characteristics such as tensile strength, resistance to pressure, durability, set times, ease of placing, aesthetics, workability under various weather and construction conditions as well as environmental effect are the main criteria that our customers consider for selecting their product. Our quality assurance program produces results in excess of design strengths while optimizing material costs. Additionally, we believe our strategic network of locations and superior customer service gives us a competitive advantage relative to other producers. Our ready mix concrete operations compete with CEMEX in Texas and Nevada and CRH plc in Utah and Colorado and various other privately owned competitors in other parts of the West and East segments.

Other materials commonly used in the production of ready mix concrete include fly ash, a waste by product from coal burning power plants, silica fume, a waste by product generated from the manufacture of silicon and ferro silicon metals, and ground granulated blast furnace slag, a by product of the iron and steel manufacturing process. All of these products have cementitious properties that enhance the strength, durability and permeability of the concrete. These materials are available directly from the producer or via specialist distributors who intermediate between the ready mix concrete producers and the users.

Given the high weight to value ratio, delivery of ready mix concrete is typically limited to a one hour haul from a production plant and is further limited by a 90 minute window in which newly mixed concrete must be poured to maintain quality and performance. As a result of the transportation constraints, the ready mix concrete market is highly localized, with an estimated 5,500 ready mix concrete plants in the United States according to the NRMCA. According to the NRMCA, 343.0 million cubic yards of ready mix concrete were produced in 2016, which is a 2% increase from the 336.0 million cubic yards produced in 2015 but a 25% decrease from the industry peak of 458.3 million cubic yards in 2005.

We believe our West and East segments are leaders in the supply of ready mix concrete in their respective markets. The West segment has ready mix concrete operations in the Texas, Utah, Nevada, Idaho and Colorado markets. Our East segment supplies ready mix concrete in the Kansas, Missouri, Arkansas, South Carolina, Kentucky and Virginia markets and surrounding areas. We operated 66 ready-mix concrete plants and over 600 concrete delivery trucks in the West segment and 56 ready-mix concrete plants and over 400 concrete delivery trucks in the East segment as of December 30, 2017. Our aggregates business serves as the primary source of the raw materials for our concrete production, functioning essentially as a supplier to our ready mix concrete operations. Different types of concrete include lightweight concrete, high performance concrete, self compacting/consolidating concrete and architectural concrete and are used in a variety of activities ranging from building construction to highway paving.

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Asphalt Paving Mix

Asphalt paving mix is the most common roadway material used today. It is a versatile and essential building material that has been used to surface 94% of the more than 2.7 million miles of paved roadways in the United States, according to the National Asphalt Pavement Association ("NAPA").

Typically, asphalt paving mix is placed in three distinct layers to create a flexible pavement structure. These layers consist of a base course, an intermediate or binder course, and a surface or wearing course. These layers vary in thicknesses of three to six inches for base mix, two to four inches for intermediate mix and one to two inches for surface mix.

Asphalt paving mix is produced by first heating carefully measured amounts of aggregates at high temperatures to remove the moisture from the materials in an asphalt paving mix plant. As the aggregates are heated, liquid asphalt is then introduced to coat the aggregates. Depending on the specifications of a particular mix, recycled asphalt may be added to the mix, which lowers the production costs. The aggregates used for production of these products are generally supplied from our quarries or sand and gravel plants. The ingredients are metered, mixed and brought up to a temperature in excess of 300°F before being placed in a truck and delivered to the jobsite for final placement. According to NAPA, the components of asphalt paving mix by weight are approximately 95% aggregates and 5% asphalt cement, a petroleum-based product that serves as the binder.

Asphalt pavement is generally 100% recyclable and reusable and is the most reused and recycled pavement material in the United States. Reclaimed asphalt pavement can be incorporated into new pavement at replacement rates in excess of 30% depending upon the mix and the application of the product. We actively engage in the recycling of previously used asphalt pavement and concrete. This material is crushed and repurposed in the construction cycle. Approximately 76.9 million tons of used asphalt is recycled annually by the industry according to a November 2017 NAPA survey. As of December 30, 2017, we operated 27 and 24 asphalt paving mix plants in the West and East segments, respectively. Approximately 96% of our plants can utilize recycled asphalt pavement.

The use of warm mix asphalt ("WMA") or "green" asphalt is gaining popularity. The immediate benefit to producing WMA is the reduction in energy consumption required by burning fuels to heat traditional hot mix asphalt ("HMA") to temperatures in excess of 300°F at the production plant. These high production temperatures are needed to allow the asphalt binder to become viscous enough to completely coat the aggregate in the HMA, have good workability during laying and compaction, and durability during traffic exposure. According to the Federal Highway Administration, WMA can reduce the temperature by 50 to 70°F, resulting in lower emissions, fumes and odors generated at the plant and the paving site.

Approximately 73% of the asphalt paving mix we produce is installed by our own paving crews. The rest is sold on a per ton basis to road contractors, state departments of transportation and local agencies. Asphalt paving mix is used by our paving crews and by our customers primarily for the construction of roads, driveways and parking lots.

According to NAPA, there were approximately 3,500 asphalt paving mix plants in the United States in 2016 and an estimated 374.9 million tons of asphalt paving mix was produced in 2016 compared to 364.9 million tons produced in 2015. Our asphalt paving mix operations compete with CRH plc and other local suppliers. Based on availability of internal aggregate supply, quality, operating efficiencies, and location advantages, we believe we are well positioned vis à vis our competitors.

Asphalt paving mix is generally applied at high temperatures. Prolonged exposure to air causes the mix to lose temperature and harden. Therefore, delivery is typically within close proximity to the asphalt paving mix plant. Local market demand, proximity to competition, transportation costs and supply of aggregates and liquid asphalt vary widely from market to market. Most of our asphalt operations use a combination of company owned and hired haulers to deliver materials to job sites.

As part of our vertical integration strategy, we provide asphalt paving and related services to both the private and public infrastructure sectors as either a prime or sub contractor. These services complement our construction materials and products businesses by providing a reliable downstream outlet, in addition to our external distribution channels.

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Our asphalt paving and related services businesses bid on both private construction and public infrastructure projects in their respective local markets. We only provide paving and related services operations as a complement to our aggregates operations, which we believe is a major competitive strength. Factors affecting competitiveness in this business segment include price, estimating abilities, knowledge of local markets and conditions, project management, financial strength, reputation for quality and the availability of machinery and equipment.

Contracts with our customers are primarily fixed price or fixed unit price. Under fixed unit price contracts, we provide materials or services at fixed unit prices (for example, dollars per ton of asphalt placed). While the fixed unit price contract shifts the risk of estimating the quantity of units required for a particular project to the customer, any increase in our unit cost over the bid amount, whether due to inflation, inefficiency, errors in our estimates or other factors, is borne by us unless otherwise provided in the contract. Most of our contracts contain adjusters for changes in liquid asphalt prices.

Customers

Our business is not dependent on any single customer or a few customers. Therefore, the loss of any single or particular small number of customers would not have a material adverse effect on any individual respective market in which we operate or on us as a whole. No individual customer accounted for more than 10% of our 2017 revenue.

Seasonality

Use and consumption of our products fluctuate due to seasonality. Nearly all of the products used by us, and by our customers, in the private construction or public infrastructure industries are used outdoors. Our highway operations and production and distribution facilities are also located outdoors. Therefore, seasonal changes and other weather related conditions, in particular extended rainy and cold weather in the spring and fall and major weather events, such as hurricanes, tornadoes, tropical storms and heavy snows, can adversely affect our business and operations through a decline in both the use of our products and demand for our services. In addition, construction materials production and shipment levels follow activity in the construction industry, which typically occurs in the spring, summer and fall. Warmer and drier weather during the second and third quarters of our fiscal year typically result in higher activity and revenue levels during those quarters. The first quarter of our fiscal year typically has lower levels of activity due to weather conditions.

Backlog

Our products are generally delivered upon receipt of orders or requests from customers, or shortly thereafter. Accordingly, the backlog associated with product sales is converted into revenue within a relatively short period of time. Inventory for products is generally maintained in sufficient quantities to meet rapid delivery requirements of customers. Therefore, a period over period increase or decrease of backlog does not necessarily result in an improvement or a deterioration of our business. Our backlog includes only those products and projects for which we have obtained a purchase order or a signed contract with the customer and does not include products purchased and sold or services awarded and provided within the period.

Subject to applicable contract terms, substantially all contracts in our backlog may be cancelled or modified by our customers. Historically, we have not been materially adversely affected by contract cancellations or modifications. As a vertically integrated business, approximately 25% of aggregates sold were used internally in our ready mix concrete and asphalt paving mixes and approximately 73% of the asphalt paving mix was laid by our paving crews during the year ended December 30, 2017. Our backlog as of December 30, 2017, was 15.6 million tons of aggregates, 0.9 million cubic yards of ready mix concrete, 2.0 million tons of asphalt and $294.9 million of construction services, which includes the value of the aggregate and asphalt tons and ready mix concrete cubic yards that are expected to be sourced internally.

Intellectual Property

We do not own or have a license or other rights under any patents that are material to our business.

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Corporate Information

Summit Materials, Inc. and Summit Materials, LLC were formed under the laws of the State of Delaware on September 23, 2014 and September 24, 2008, respectively. Our principal executive office is located at 1550 Wynkoop Street, 3rd Floor, Denver, Colorado 80202. Through its predecessor, Summit Inc. commenced operations in 2009 when Summit Holdings was formed. Our telephone number is (303) 893-0012.

Employees

As of December 30, 2017 we had approximately 6,000 employees, of whom approximately 80% were hourly workers and the remainder were salaried employees. Because of the seasonal nature of our industry, many of our hourly and certain of our salaried employees are subject to seasonal layoffs. The scope of layoffs varies greatly from season to season as they are predominantly a function of the type of projects in process and the weather during the late fall through early spring.

Approximately 7% of our employees are union members, with whom we believe we enjoy a satisfactory working relationship.

Legal Proceedings

We are party to certain legal actions arising from the ordinary course of business activities. While the ultimate results of claims and litigation cannot be predicted with certainty, management expects that the ultimate resolution of all current pending or threatened claims and litigation will not have a material effect on our consolidated financial condition, results of operations or liquidity.

Pursuant to an Administrative Order on Consent with the Missouri Department of Natural Resources, Continental Cement paid a penalty of $75,000 relating to alleged past violations of air pollution control requirements at its Hannibal, Missouri facility. Recent alleged additional violations of environmental requirements may result in the payment of further penalties under that Order, which although anticipated to be immaterial to us, may in aggregate with the prior $75,000 penalty, exceed $100,000.

Environmental and Government Regulation

We are subject to federal, state, provincial and local laws and regulations relating to the environment and to health and safety, including noise, discharges to air and water, waste management including the management of hazardous waste used as a fuel substitute in our cement plants, remediation of contaminated sites, mine reclamation, operation and closure of landfills and dust control and zoning, land use and permitting. Our failure to comply with such laws and regulations can result in sanctions such as fines or the cessation of part or all of our operations. From time to time, we may also be required to conduct investigation or remediation activities. There also can be no assurance that our compliance costs or liabilities associated with such laws and regulations or activities will not be significant.

In addition, our operations require numerous governmental approvals and permits. Environmental operating permits are subject to modification, renewal and revocation and can require us to make capital, maintenance and operational expenditures to comply with the applicable requirements. Stricter laws and regulations, or more stringent interpretations of existing laws or regulations, may impose new liabilities on us, reduce operating hours, require additional investment by us in pollution control equipment or impede our opening new or expanding existing plants or facilities. We regularly monitor and review our operations, procedures and policies for compliance with environmental laws and regulations, changes in interpretations of existing laws and enforcement policies, new laws that are adopted, and new requirements that we anticipate will be adopted that could affect our operations.

Multiple permits are required for our operations, including those required to operate our cement plants. Applicable permits may include conditional use permits to allow us to operate in certain areas absent zoning approval and operational permits governing, among other matters, air and water emissions, dust, particulate matter and storm water management and control. In addition, we are often required to obtain bonding for future reclamation costs, most commonly specific to restorative grading and seeding of disturbed surface areas.

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Like others in our industry, we expend substantial amounts to comply with applicable environmental laws and regulations and permit limitations, which include amounts for pollution control equipment required to monitor and regulate emissions into the environment. The Hannibal and Davenport cement plants are subject to HWC-MACT and CISWI standards, respectively, for which we do not expect any material future costs to achieve or maintain compliance. Since many environmental requirements are likely to be affected by future legislation or rule making by government agencies, and are therefore not quantifiable, it is not possible to accurately predict the aggregate future costs of compliance and their effect on our future financial condition, results of operations and liquidity.

At most of our quarries, we incur reclamation obligations as part of our mining activities. Reclamation methods and requirements can vary depending on the individual site and state regulations. Generally, we are required to grade the mined properties to a certain slope and seed the property to prevent erosion. We record a mining reclamation liability in our consolidated financial statements to reflect the estimated fair value of the cost to reclaim each property including active and closed sites.

Our operations in Kansas include one municipal waste landfill and two construction and demolition debris landfills, one of which has been closed and in Colorado, we have a construction and demolition debris landfill. Among other environmental, health and safety requirements, we are subject to obligations to appropriately close those landfills at the end of their useful lives and provide for appropriate post closure care. Asset retirement obligations relating to these landfills are recorded in our consolidated financial statements.

Health and Safety

Our facilities and operations are subject to a variety of worker health and safety requirements, particularly those administered by the federal Occupational Safety and Health Administration (“OSHA”) and Mine Safety and Health Administration (“MSHA”). Throughout our organization, we strive for a zero incident safety culture and full compliance with safety regulations. Failure to comply with these requirements can result in sanctions such as fines and penalties and claims for personal injury and property damage. These requirements may also result in increased operating and capital costs in the future.

Worker safety and health matters are overseen by our corporate risk management and safety department as well as operating company level safety managers. We provide our operating company level safety managers leadership and support, comprehensive training, and other tools designed to accomplish health and safety goals, reduce risk, eliminate hazards, and ultimately make our work places safer.

Insurance

Our insurance program is structured using multiple “A” rated insurance carriers, and a variety of deductible amounts. Losses within deductible amounts, are accrued for using projections based on past loss history. We also maintain combined umbrella insurance. Other policies include property, contractors equipment, contractors pollution and professional, directors and officers, employment practices liability and fiduciary and crime. We also have a separate marine insurance policy for our cement operations on the Mississippi River, which ship cement on the river via barge.

Where You Can Find More Information

We file annual, quarterly and current reports, proxy statements and other information with the SEC. Our SEC filings are available to the public over the internet at the SEC’s website at http://www.sec.gov. Our SEC filings are also available on our website, free of charge, at http://www.summit-materials.com as soon as reasonably practicable after they are filed with or furnished to the SEC. You may also read and copy any filed document at the SEC’s public reference room in Washington, D.C. at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information about public reference rooms.

We maintain an internet site at http://www.summit-materials.com. Our website and the information contained on or connected to that site are not incorporated into this report.

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ITEM 1A.RISK FACTORS

Risks Related to Our Industry and Our Business

Industry Risks

Our business depends on activity within the construction industry and the strength of the local economies in which we operate.

We sell most of our construction materials and products and provide all of our paving and related services to the construction industry, so our results are significantly affected by the strength of the construction industry. Federal and state budget issues may negatively affect the amount of funding available for infrastructure spending, particularly highway construction, which constitutes a significant portion of our business. Demand for our products, particularly in the residential and nonresidential construction markets, could decline if companies and consumers cannot obtain funding for construction projects. In addition, a slow pace of economic activity results in delays or cancellations of capital projects.

Our earnings depend on the strength of the local economies in which we operate because of the high cost to transport our products relative to their price. Although some states in recent years, such as Texas, have increased their budgets for road construction, maintenance, rehabilitation and acquiring right of way for public roads, certain other states have reduced their construction spending due to budget shortfalls from lower tax revenue, as well as uncertainty relating to long term federal highway funding prior to the FAST Act, the first law with long term transportation funding in ten years, which was signed into law on December 4, 2015. As a result, there has been a reduction in certain states' investment in infrastructure spending. If economic and construction activity diminishes in one or more areas, particularly in our top revenue generating markets of Texas, Utah, Kansas and Missouri, our financial condition, results of operations and liquidity could be materially adversely affected.

Our business is cyclical and requires significant working capital to fund operations.

Our business is cyclical and requires that we maintain significant working capital to fund our operations. Our ability to generate sufficient cash flow depends on future performance, which will be subject to general economic conditions, industry cycles and financial, business and other factors affecting our operations, many of which are beyond our control. If we are unable to generate sufficient cash to operate our business and service our outstanding debt and other obligations, we may be required, among other things, to further reduce or delay planned capital or operating expenditures, sell assets or take other measures, including the restructuring of all or a portion of our debt, which may only be available, if at all, on unsatisfactory terms.

Weather can materially affect our business and we are subject to seasonality.

Nearly all of the products we sell and the services we provide are used or performed outdoors. Therefore, seasonal changes and other weather related conditions can adversely affect our business and operations through a decline in both the use and production of our products and demand for our services. Adverse weather conditions such as extended rainy and cold weather in the spring and fall can reduce demand for our products and reduce sales or render our contracting operations less efficient. Major weather events such as hurricanes, tornadoes, tropical storms and heavy snows have adversely affected and could adversely affect sales in the near term. In particular, our operations in the southeastern and Gulf Coast regions of the United States are at risk for hurricane activity, most notably in August, September and October. For example, in 2017, Hurricane Harvey adversely affected our operations not only during the days immediately before and after the storm, but also in the weeks and months after the storm as our customers recovered and reallocated resources in response to damage caused by the storm.

Construction materials production and shipment levels follow activity in the construction industry, which typically occurs in the spring, summer and fall. Warmer and drier weather during the second and third quarters of our fiscal year typically result in higher activity and revenue levels during those quarters. The first quarter of our fiscal year has typically lower levels of activity due to the weather conditions. Our second quarter varies greatly with spring rains and wide temperature variations. A cool wet spring increases drying time on projects, which can delay sales in the second quarter, while a warm dry spring may enable earlier project startup.

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Our industry is capital intensive and we have significant fixed and semi fixed costs. Therefore, our profitability is sensitive to changes in volume.

The property and machinery needed to produce our products can be very expensive. Therefore, we need to spend a substantial amount of capital to purchase and maintain the equipment necessary to operate our business. Although we believe that our current cash balance, along with our projected internal cash flows and our available financing resources, will provide sufficient cash to support our currently anticipated operating and capital needs, if we are unable to generate sufficient cash to purchase and maintain the property and machinery necessary to operate our business, we may be required to reduce or delay planned capital expenditures or incur additional debt. In addition, given the level of fixed and semi fixed costs within our business, particularly at our cement production facilities, decreases in volumes could have a material adverse effect on our financial condition, results of operations and liquidity.

Within our local markets, we operate in a highly competitive industry.

The U.S. construction aggregates industry is highly fragmented with a large number of independent local producers in a number of our markets. Additionally, in most markets, we compete against large private and public infrastructure companies, some of which are also vertically integrated. Therefore, there is intense competition in a number of the markets in which we operate. This significant competition could lead to lower prices, lower sales volumes and higher costs in some markets, negatively affecting our financial condition, results of operations and liquidity.

Growth Risks

The success of our business depends on our ability to execute on our acquisition strategy.

A significant portion of our historical growth has occurred through acquisitions, and we will likely enter into acquisitions in the future. We are presently evaluating, and we expect to continue to evaluate on an ongoing basis, possible acquisition transactions. We are presently engaged, and at any time in the future we may be engaged, in discussions or negotiations with respect to possible acquisitions, including larger transactions that would be significant to us. We regularly make, and we expect to continue to make, non binding acquisition proposals, and we may enter into letters of intent, in each case allowing us to conduct due diligence on a confidential basis. We cannot predict the timing of any contemplated transactions. To successfully acquire a significant target, we may need to raise additional capital through additional equity issuances, additional indebtedness, or a combination of equity and debt issuances. There can be no assurance that we will enter into definitive agreements with respect to any contemplated transactions or that they will be completed. Our growth has placed, and will continue to place, significant demands on our management and operational and financial resources. Acquisitions involve risks that the businesses acquired will not perform as expected.

Our results of operations from these acquisitions could, in the future, result in impairment charges for any of our intangible assets, including goodwill, or other long lived assets, particularly if economic conditions worsen unexpectedly. As a result of these changes, our financial condition, results of operations and liquidity could be materially adversely affected. In addition, many of the businesses that we have acquired and will acquire have unaudited financial statements that have been prepared by the management of such companies and have not been independently reviewed or audited. We cannot assure you that the financial statements of companies we have acquired or will acquire would not be materially different if such statements were independently reviewed or audited. If such statements were to be materially different, the tangible and intangible assets we acquire may be more susceptible to impairment charges, which could have a material adverse effect on us.

The success of our business depends on our ability to successfully integrate acquisitions.

Acquisitions may require integration of the acquired companies' sales and marketing, distribution, engineering, purchasing, finance and administrative organizations. We may not be able to integrate successfully any business we may acquire or have acquired into our existing business and any acquired businesses may not be profitable or as profitable as we had expected. Our inability to complete the integration of new businesses in a timely and orderly manner could

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increase costs and lower profits. Factors affecting the successful integration of acquired businesses include, but are not limited to, the following:

· We may become liable for certain liabilities of any acquired business, whether or not known to us. These risks could include, among others, tax liabilities, product liabilities, environmental liabilities and liabilities for employment practices. These liabilities may be significant.

· Substantial attention from our senior management and the management of the acquired business may be required, which could decrease the time that they have to service and attract customers.

· We may not effectively utilize new equipment that we acquire through acquisitions or otherwise at utilization and rental rates consistent with that of our existing equipment. Further, capital equipment at acquired businesses may require additional maintenance or need to be replaced sooner than we expected.

· The complete integration of acquired companies depends, to a certain extent, on the full implementation of our financial systems and policies.

· We may actively pursue a number of opportunities simultaneously and we may encounter unforeseen expenses, complications and delays, including difficulties in employing sufficient staff and maintaining operational and management oversight.

The success of our business depends on our ability to retain key employees of our acquired businesses

We cannot assure you we will be able to retain local managers and employees who are important to the operations of our acquired businesses. The loss of key employees may have an adverse effect on the acquired business and on our business as a whole.

Our long term success is dependent upon securing and permitting aggregate reserves in strategically located areas. The inability to secure and permit such reserves could negatively affect our earnings in the future.

Aggregates are bulky and heavy and therefore difficult to transport efficiently. Because of the nature of the products, the freight costs can quickly surpass production costs. Therefore, except for geographic regions that do not possess commercially viable deposits of aggregates and are served by rail, barge or ship, the markets for our products tend to be localized around our quarry sites and are served by truck. New quarry sites often take a number of years to develop.

Our strategic planning and new site development must stay ahead of actual growth. Additionally, in a number of urban and suburban areas in which we operate, it is increasingly difficult to permit new sites or expand existing sites due to community resistance. Therefore, our future success is dependent, in part, on our ability to accurately forecast future areas of high growth in order to locate optimal facility sites and on our ability to either acquire existing quarries or secure operating and environmental permits to open new quarries. If we are unable to accurately forecast areas of future growth, acquire existing quarries or secure the necessary permits to open new quarries, our financial condition, results of operations and liquidity could be materially adversely affected.

Economic Risks

A decline in public infrastructure construction and reductions in governmental funding could adversely affect our earnings in the future.

A significant portion of our revenue is generated from publicly funded construction projects. As a result, if publicly funded construction decreases due to reduced federal or state funding or otherwise, our financial condition, results of operations and liquidity could be materially adversely affected.

In January 2011, the U.S. House of Representatives passed a new rules package that repealed a transportation law dating back to 1998, which protected annual funding levels from amendments that could reduce such funding. This rule change subjects funding for highways to yearly appropriation reviews. The change in the funding mechanism increases the uncertainty of many state departments of transportation regarding funds for highway projects. This uncertainty could result in states being reluctant to undertake large multi year highway projects which could, in turn, negatively affect our

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sales. We cannot be assured of the existence, amount and timing of appropriations for spending on federal, state or local projects. Federal support for the cost of highway maintenance and construction is dependent on congressional action. In addition, each state funds its infrastructure spending from specially allocated amounts collected from various taxes, typically gasoline taxes and vehicle fees, along with voter approved bond programs. Shortages in state tax revenues can reduce the amounts spent on state infrastructure projects, even below amounts awarded under legislative bills. In recent years, certain states have experienced state level funding pressures caused by lower tax revenues and an inability to finance approved projects. Delays or cancellations of state infrastructure spending could have a material adverse effect on our financial condition, results of operations and liquidity.

Our business relies on private investment in infrastructure, and periods of economic stagnation or recession may adversely affect our earnings in the future.

A significant portion of our sales are for projects with non public owners whose construction spending is affected by developers' ability to finance projects. Residential and nonresidential construction could decline if companies and consumers are unable to finance construction projects or in periods of economic stagnation or recession, which could result in delays or cancellations of capital projects. If housing starts and nonresidential projects stagnate or decline, sale of our construction materials, downstream products and paving and related services may decline and our financial condition, results of operations and liquidity could be materially adversely affected.

Environmental, health and safety laws and regulations and any changes to, or liabilities arising under, such laws and regulations could have a material adverse effect on our financial condition, results of operations and liquidity.

We are subject to a variety of federal, state, provincial and local laws and regulations relating to, among other things: (i) the release or discharge of materials into the environment; (ii) the management, use, generation, treatment, processing, handling, storage, transport or disposal of hazardous materials, including the management of hazardous and non-hazardous waste used as a fuel substitute in our cement kiln in Hannibal, Missouri; (iii) the management, use, generation, treatment, processing, handling, storage, transport or disposal of non hazardous solid waste used as a fuel substitute in our cement kiln in Davenport, Iowa; and (iv) the protection of public and employee health and safety and the environment. These laws and regulations impose strict liability in some cases without regard to negligence or fault and expose us to liability for the environmental condition of our currently or formerly owned, leased or operated facilities or third party waste disposal sites, and may expose us to liability for the conduct of others or for our actions, even if such actions complied with all applicable laws at the time these actions were taken. In particular, we may incur remediation costs and other related expenses because our facilities were constructed and operated before the adoption of current environmental laws and the institution of compliance practices or because certain of our processes are regulated. These laws and regulations may also expose us to liability for claims of personal injury or property or natural resource damage related to alleged exposure to, or releases of, regulated or hazardous materials. The existence of contamination at properties we own, lease or operate could also result in increased operational costs or restrictions on our ability to use those properties as intended, including for purposes of mining.

There is an inherent risk of liability in the operation of our business, and despite our compliance efforts, we may be in noncompliance with environmental, health and safety laws and regulations from time to time. These potential liabilities or events of noncompliance could have a material adverse effect on our operations and profitability. In many instances, we must have government approvals, certificates, permits or licenses in order to conduct our business, which could require us to make significant capital, operating and maintenance expenditures to comply with environmental, health and safety laws and regulations. Our failure to obtain and maintain required approvals, certificates, permits or licenses or to comply with applicable governmental requirements could result in sanctions, including substantial fines or possible revocation of our authority to conduct some or all of our operations. Governmental requirements that affect our operations also include those relating to air and water quality, waste management, asset reclamation, the operation and closure of municipal waste and construction and demolition debris landfills, remediation of contaminated sites and worker health and safety. These requirements are complex and subject to frequent change. Stricter laws and regulations, more stringent interpretations of existing laws or regulations or the future discovery of environmental conditions may impose new liabilities on us, reduce operating hours, require additional investment by us in pollution control equipment or impede our opening new or expanding existing plants or facilities.

We have incurred, and may in the future incur, significant capital and operating expenditures to comply with such laws and regulations. In addition, we have recorded liabilities in connection with our reclamation and landfill closure obligations, but there can be no assurances that the costs of our obligations will not exceed our estimates. The cost of complying with such laws could have a material adverse effect on our financial condition, results of operations and liquidity.

Financial Risks

Difficult and volatile conditions in the credit markets could affect our financial condition, results of operations and liquidity.

Demand for our products is primarily dependent on the overall health of the economy, and federal, state and local public infrastructure funding levels. A stagnant or declining economy tends to produce less tax revenue for public infrastructure agencies, thereby decreasing a source of funds available for spending on public infrastructure improvements, which constitute a significant part of our business.

There is a likelihood that we will not be able to collect on certain of our accounts receivable from our customers. If our customers are unable to obtain credit or unable to obtain credit in a timely manner, they may be unable to pay us, which could have a material adverse effect on our financial condition, results of operations and liquidity.

If we are unable to accurately estimate the overall risks, requirements or costs when we bid on or negotiate contracts that are ultimately awarded to us, we may achieve lower than anticipated profits or incur contract losses.

Even though the majority of our government contracts contain raw material escalators to protect us from certain price increases, a portion or all of the contracts are often on a fixed cost basis. Pricing on a contract with a fixed unit price is based on approved quantities irrespective of our actual costs and contracts with a fixed total price require that the total amount of work be performed for a single price irrespective of our actual costs. We realize profit on our contracts only if our revenue exceeds actual costs, which requires that we successfully estimate our costs and then successfully control actual costs and avoid cost overruns. If our cost estimates for a contract are inadequate, or if we do not execute the contract within our cost estimates, then cost overruns may cause us to incur a loss or cause the contract not to be as profitable as we expected. The costs incurred and profit realized, if any, on our contracts can vary, sometimes substantially, from our original projections due to a variety of factors, including, but not limited to:

· failure to include materials or work in a bid, or the failure to estimate properly the quantities or costs needed to complete a lump sum contract;

· delays caused by weather conditions or otherwise failing to meet scheduled acceptance dates;

- contract or project modifications or conditions creating unanticipated costs that are not covered by change orders;

- changes in availability, proximity and costs of materials, including liquid asphalt, cement, aggregates and other construction materials (such as stone, gravel, sand and oil for asphalt paving), as well as fuel and lubricants for our equipment;

- to the extent not covered by contractual cost escalators, variability and inability to predict the costs of purchasing diesel, liquid asphalt and cement;

- availability and skill level of workers;

- failure by our suppliers, subcontractors, designers, engineers or customers to perform their obligations;

- fraud, theft or other improper activities by our suppliers, subcontractors, designers, engineers, customers or our own personnel;

- mechanical problems with our machinery or equipment;

- citations issued by any governmental authority, including OSHA and MSHA;

- difficulties in obtaining required governmental permits or approvals;

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· changes in applicable laws and regulations;

· uninsured claims or demands from third parties for alleged damages arising from the design, construction or use and operation of a project of which our work is part; and

· public infrastructure customers may seek to impose contractual risk shifting provisions more aggressively which may result in us facing increased risks.

These factors, as well as others, may cause us to incur losses, which could have a material adverse effect on our financial condition, results of operations and liquidity.

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

We provide our customers with products designed to meet building code or other regulatory requirements and contractual specifications for measurements such as durability, compressive strength, weight bearing capacity and other characteristics. If we fail or are unable to provide products meeting these requirements and specifications, material claims may arise against us and our reputation could be damaged. Additionally, if a significant uninsured, non indemnified or product related claim is resolved against us in the future, that resolution could have a material adverse effect on our financial condition, results of operations and liquidity.

The cancellation of a significant number of contracts or our disqualification from bidding for new contracts could have a material adverse effect on our financial condition, results of operations and liquidity.

We could be prohibited from bidding on certain government contracts if we fail to maintain qualifications required by the relevant government entities. In addition, contracts with governmental entities can usually be canceled at any time by them with payment only for the work completed. A cancellation of an unfinished contract or our disqualification from the bidding process could result in lost revenue and cause our equipment to be idled for a significant period of time until other comparable work becomes available, which could have a material adverse effect on our financial condition, results of operations and liquidity.

Our operations are subject to special hazards that may cause personal injury or property damage, subjecting us to liabilities and possible losses which may not be covered by insurance.

Operating hazards inherent in our business, some of which may be outside our control, can cause personal injury and loss of life, damage to or destruction of property, plant and equipment and environmental damage. We maintain insurance coverage in amounts and against the risks we believe are consistent with industry practice, but this insurance may not be adequate or available to cover all losses or liabilities we may incur in our operations. Our insurance policies are subject to varying levels of deductibles. However, liabilities subject to insurance are difficult to estimate due to unknown factors, including the severity of an injury, the determination of our liability in proportion to other parties, the number of incidents not reported and the effectiveness of our safety programs. If we were to experience insurance claims or costs above our estimates, our financial condition, results of operations and liquidity could be materially adversely effected.

Unexpected factors affecting self insurance claims and reserve estimates could adversely affect our business.

We use a combination of third party insurance and self insurance to provide for potential liabilities for workers' compensation, general liability, vehicle accident, property and medical benefit claims. Although we seek to minimize our exposure on individual claims, for the benefit of costs savings we have accepted the risk of multiple independent material claims arising. We estimate the projected losses and liabilities associated with the risks retained by us, in part, by considering historical claims experience, demographic and severity factors and other actuarial assumptions which, by their nature, are subject to a high degree of variability. Among the causes of this variability are unpredictable external factors affecting future inflation rates, discount rates, litigation trends, legal interpretations, benefit level changes and claim settlement patterns. Any such matters could have a material adverse effect on our financial condition, results of operations and liquidity.

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Our substantial leverage could adversely affect our financial condition, our ability to raise additional capital to fund our operations, our ability to operate our business, our ability to react to changes in the economy or our industry and our ability to pay our debts, which could divert our cash flow from operations to debt payments.

We are highly leveraged. As of December 30, 2017, our total debt was approximately $1.8 billion, which includes $1.2 billion of Senior Notes and $635.4 million of senior secured indebtedness under our senior secured credit facilities and we had an additional $218.9 million of unutilized capacity under our senior secured revolving credit facility (after giving effect to approximately $16.1 million of letters of credit outstanding).

Our high degree of leverage could have important consequences, including:

- increasing our vulnerability to general economic and industry conditions;
- requiring a substantial portion of cash flow from operations to be dedicated to the payment of principal and interest on our indebtedness, thereby reducing our ability to use our cash flow to fund our operations, capital expenditures and future business opportunities;
- subject us to the risk of increased interest rates as a portion of our borrowings under our senior secured credit facilities are exposed to variable rates of interest;
- restricting us from making strategic acquisitions or causing us to make non-strategic divestitures;
- limiting our ability to obtain additional financing for working capital, capital expenditures, debt service requirements, acquisitions and general corporate or other purposes;
- limiting our ability to adjust to changing market conditions and placing us at a competitive disadvantage compared to our competitors who are less highly leveraged; and
- making it more difficult for us to make payments on our debt.

Borrowings under our senior secured credit facilities are at variable rates of interest and expose us to interest rate risk. If interest rates increase, our debt service obligations on the variable rate indebtedness will increase even though the amount borrowed remained the same, and our net income and cash flows, including cash available for servicing our indebtedness, will correspondingly decrease. We have and may in the future enter into interest rate swaps that involve the exchange of floating for fixed rate interest payments in order to reduce interest rate volatility. However, we may not maintain interest rate swaps with respect to all of our variable rate indebtedness, and any interest rate swaps we enter into may not fully mitigate our interest rate risk. In addition, the indentures that govern the Senior Notes and the amended and restated credit agreement governing our senior secured credit facilities ("Credit Agreement") contain restrictive covenants that limit our ability to engage in activities that may be in our long-term best interest. Our failure to comply with those covenants could result in an event of default which, if not cured or waived, could result in the acceleration of all our debt.

Despite our current level of indebtedness, we and our subsidiaries may still incur substantially more debt. This could reduce our ability to satisfy our current obligations and further exacerbate the risks to our financial condition described above.

We and our subsidiaries may incur significant additional indebtedness in the future to fund acquisitions as part of our growth strategy. Although the indentures governing the Senior Notes and the Credit Agreement contain restrictions on the incurrence of additional indebtedness, these restrictions are subject to a number of qualifications and exceptions, and we could incur substantial additional indebtedness in compliance with these restrictions.

Our senior secured credit facilities include an uncommitted incremental facility that allows us the option to increase the amount available under the term loan facility and/or the senior secured revolving credit facility by (i) $225.0 million plus (ii) an additional amount so long as we are in pro forma compliance with a consolidated first lien net leverage ratio. Availability of such incremental facilities will be subject to, among other conditions, the absence of an event of default and the receipt of commitments by existing or additional financial institutions.

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We may not be able to generate sufficient cash to service all of our indebtedness and may be forced to take other actions to satisfy our obligations under our indebtedness, which may not be successful.

Our ability to make scheduled payments on our debt obligations, refinance our debt obligations and fund planned capital expenditures and other corporate expenses depends on our financial condition and operating performance, which is subject to prevailing economic and competitive conditions. We are also subject to certain financial, business, legislative, regulatory and legal restrictions on the payment of distributions and dividends. Many of these factors are beyond our control. We may not be able to maintain a level of cash flows from operating activities sufficient to permit us to pay the principal, premium, if any, and interest on our indebtedness, which would constitute an event of default if not cured. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources." If our cash flows and capital resources are insufficient to fund our debt service obligations or our other needs, we may be forced to reduce or delay investments and capital expenditures, seek additional capital, restructure or refinance our indebtedness or sell assets. These alternative measures may not be successful and may not permit us to meet our scheduled debt service obligations or fund planned capital expenditures. Significant delays in our planned capital expenditures may materially and adversely affect our future revenue prospects. In addition, our ability to restructure or refinance our debt will depend on the capital markets and our financial condition at such time. Any refinancing of our debt could be at higher interest rates and may require us to comply with more onerous covenants, which could further restrict our business operations. The Credit Agreement and the indentures governing the Senior Notes restrict our ability to use the proceeds from asset sales. We may not be able to consummate those asset sales to raise capital or sell assets at prices that we believe are fair and proceeds that we do receive may not be adequate to meet any debt service obligations then due. In addition, any failure to make payments of interest and principal on our outstanding indebtedness on a timely basis would likely result in a reduction of our credit rating, which could harm our ability to incur additional indebtedness.

The indentures governing the Senior Notes and the Credit Agreement contain covenants and provisions that are restrictive.

The indentures governing the Senior Notes and Credit Agreement contain restrictive covenants that, among other things, limit our ability, and the ability of our restricted subsidiaries, to:

· incur additional indebtedness, issue certain preferred shares or issue guarantees;

· pay dividends, redeem our membership interests or make other restricted payments;

· make investments, loans or advances;

· incur additional liens;

- transfer or sell assets;
- merge or engage in consolidations;
- enter into certain transactions with our affiliates;
- designate subsidiaries as unrestricted subsidiaries;
- repay subordinated indebtedness; and
- change our lines of business.

The senior secured credit facilities also require us to maintain a maximum first lien net leverage ratio. The Credit Agreement also contains certain customary representations and warranties, affirmative covenants and events of default (including, among others, an event of default upon a change of control). If an event of default occurs, the lenders under our senior secured credit facilities will be entitled to take various actions, including the acceleration of amounts due under our senior secured credit facilities and all actions permitted to be taken by a secured creditor. Our failure to comply with obligations under the indentures governing the Senior Notes and the Credit Agreement may result in an event of default under the indenture or the amended and restated Credit Agreement. A default, if not cured or waived,

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may permit acceleration of our indebtedness. If our indebtedness is accelerated, we may not have sufficient funds available to pay the accelerated indebtedness or the ability to refinance the accelerated indebtedness on terms favorable to us or at all.

Other Risks

Our success is dependent on our Chief Executive Officer and other key personnel.

Our success depends on the continuing services of our Chief Executive Officer, Tom Hill, and other key personnel assembled by Mr. Hill. We believe that Mr. Hill possesses valuable knowledge and skills that are crucial to our success and would be very difficult to replicate. Not all of our senior management team resides near or works at our headquarters. The geographic distance between the members of our senior management team may impede the team's ability to work together effectively, and we cannot assure you they will be able to do so.

Competition for senior management is intense, and we may not be able to retain our management team or attract additional qualified personnel. The loss of a member of senior management could require certain of our remaining senior officers to divert immediate attention, which could be substantial or require costly external resources in the short term. The inability to adequately fill vacancies in our senior executive positions on a timely basis could negatively affect our ability to implement our business strategy, which could have a material adverse effect on our results of operations, financial condition and liquidity.

We use large amounts of electricity, diesel fuel, liquid asphalt and other petroleum based resources that are subject to potential reliability issues, supply constraints and significant price fluctuation, which could have a material adverse effect on our financial condition, results of operations and liquidity.

In our production and distribution processes, we consume significant amounts of electricity, diesel fuel, liquid asphalt and other petroleum based resources. The availability and pricing of these resources are subject to market forces that are beyond our control. Furthermore, we are vulnerable to any reliability issues experienced by our suppliers, which also are beyond our control. Our suppliers contract separately for the purchase of such resources and our sources of supply could be interrupted should our suppliers not be able to obtain these materials due to higher demand or other factors that interrupt their availability. Variability in the supply and prices of these resources could have a material adverse effect on our financial condition, results of operations and liquidity.

Climate change and climate change legislation or regulations may adversely affect our business.

A number of governmental bodies have finalized, proposed or are contemplating legislative and regulatory changes in response to the potential effects of climate change, and the United States and Canada have agreed to the Paris Agreement, the successor to the Kyoto Protocol to the United Nations Framework Convention on Climate Change, which could lead to additional legislative and regulatory changes in the United States and Canada. Such legislation or regulation has and potentially could include provisions for a "cap and trade" system of allowances and credits, among other provisions. The EPA promulgated a mandatory reporting rule covering greenhouse gas ("GHG") emissions from sources considered to be large emitters. The EPA has also promulgated a GHG emissions permitting rule, referred to as the "Tailoring Rule" which sets forth criteria for determining which facilities are required to obtain permits for GHG emissions pursuant to the U.S. Clean Air Act's Prevention of Significant Deterioration ("PSD") and Title V operating permit programs. The U.S. Supreme Court ruled in June 2014 that the EPA exceeded its statutory authority in issuing the Tailoring Rule but upheld the Best Available Control Technology ("BACT") requirements for GHGs emitted by sources already subject to PSD requirements for other pollutants. Our cement plants and one of our landfills hold Title V Permits. If future modifications to our facilities require PSD review for other pollutants, GHG BACT requirements may also be triggered, which could require significant additional costs.

Other potential effects of climate change include physical effects such as disruption in production and product distribution as a result of major storm events and shifts in regional weather patterns and intensities. There is also a potential for climate change legislation and regulation to adversely affect the cost of purchased energy and electricity.

The effects of climate change on our operations are highly uncertain and difficult to estimate. However, because a chemical reaction inherent to the manufacture of Portland cement releases carbon dioxide, a GHG, cement kiln operations may be disproportionately affected by future regulation of GHGs. Climate change and legislation and regulation concerning GHGs could have a material adverse effect on our financial condition, results of operations and liquidity.

Unexpected operational difficulties at our facilities could disrupt operations, raise costs, and reduce revenue and earnings in the affected locations.

The reliability and efficiency of certain of our facilities is dependent upon vital pieces of equipment, such as our cement manufacturing kilns in Hannibal, Missouri and Davenport, Iowa. Although we have scheduled outages to perform maintenance on certain of our facilities, vital equipment may periodically experience unanticipated disruptions due to accidents, mechanical failures or other unanticipated events such as fires, explosions, violent weather conditions or other unexpected operational difficulties. A substantial interruption of one of our facilities could require us to make significant capital expenditures to restore operations and could disrupt our operations, raise costs, and reduce revenue and earnings in the affected locations.

We are dependent on information technology. Our systems and infrastructure face certain risks, including cyber security risks and data leakage risks.

We are dependent on information technology systems and infrastructure. Any significant breakdown, invasion, destruction or interruption of these systems by employees, others with authorized access to our systems, or unauthorized persons could negatively affect operations. There is also a risk that we could experience a business interruption, theft of information or reputational damage as a result of a cyber-attack, such as an infiltration of a data center, or data leakage of confidential information either internally or at our third party providers. While we have invested in the protection of our data and information technology to reduce these risks and periodically test the security of our information systems network, there can be no assurance that our efforts will prevent breakdowns or breaches in our systems that could have a material adverse effect on our financial condition, results of operations and liquidity.

Labor disputes could disrupt operations of our businesses.

As of December 30, 2017, labor unions represented approximately 7% of our total employees, substantially all in our cement division and at our Canadian operations. Our collective bargaining agreements for employees generally expire between 2018 and 2020. Although we believe we have good relations with our employees and unions, disputes with our trade unions, union organizing activity, or the inability to renew our labor agreements, could lead to strikes or other actions that could disrupt our operations and, consequently, have a material adverse effect on our financial condition, results of operations and liquidity.

Organizational Structure Risks

Summit Inc.'s only material asset is its interest in Summit Holdings, and it is accordingly dependent upon distributions from Summit Holdings to pay taxes, make payments under the TRA and pay dividends.

Summit Inc. is a holding company and has no material assets other than its ownership of LP Units and has no independent means of generating revenue. Summit Inc. intends to cause Summit Holdings to make distributions to holders and former holders of LP Units in an amount sufficient to cover all applicable taxes at assumed tax rates, payments under the TRA and cash distributions, if any, declared by it. Deterioration in the financial condition, earnings or cash flow of Summit Holdings and its subsidiaries for any reason, or restrictions on payments by subsidiaries to their parent companies under applicable laws, including laws that require companies to maintain minimum amounts of capital and to make payments to stockholders only from profits, could limit or impair their ability to pay such distributions. Additionally, to the extent that Summit Inc. needs funds, and Summit Holdings is restricted from making such distributions under applicable law or regulation or under the terms of our financing arrangements, or is otherwise unable to provide such funds, it could have a material adverse effect on our financial condition, results of operations and liquidity.

Payments of dividends, if any, are at the discretion of our board of directors after taking into account various factors, including our business, operating results and financial condition, current and anticipated cash needs, plans for expansion and any legal or contractual limitations on our ability to pay dividends. Any financing arrangement that we enter into in the future may include restrictive covenants that limit our ability to pay dividends. In addition, Summit Holdings is generally prohibited under Delaware law from making a distribution to a limited partner to the extent that, at

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the time of the distribution, after giving effect to the distribution, liabilities of Summit Holdings (with certain exceptions) exceed the fair value of its assets. Subsidiaries of Summit Holdings are generally subject to similar legal limitations on their ability to make distributions to Summit Holdings.

Summit Inc. anticipates using certain distributions from Summit Holdings to acquire additional LP Units.

The limited partnership agreement of Summit Holdings provides for cash distributions, which we refer to as "tax distributions," to be made to the holders of the LP Units if it is determined that the income of Summit Holdings will give rise to net taxable income allocable to holders of LP Units. To the extent that future tax distributions Summit Inc. receives exceed the amounts it actually requires to pay taxes and make payments under the TRA, we expect that our board of directors will cause Summit Inc. to use such excess cash to acquire additional newly-issued LP Units at a per unit price determined by reference to the volume weighted average price per share of the Class A common stock during the five trading days immediately preceding the date of the relevant board action. During the fourth quarter of 2017, Summit Inc. used approximately $47.5 million of such distributions to purchase LP Units. See "Part II, Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities–Dividends." Although we anticipate that any such decision by our board of directors would be approved by a majority of our independent directors, any cash used by Summit Inc. to acquire additional LP Units would not then be available to fund cash dividends on the Class A common stock.

Summit Inc. is required to pay exchanging holders of LP Units for most of the benefits relating to any additional tax depreciation or amortization deductions that we may claim as a result of the tax basis step-up we receive in connection with sales or exchanges of LP Units and related transactions.

Holders of LP Units (other than Summit Inc.) may, subject to the vesting and minimum retained ownership requirements and transfer restrictions applicable to such holders as set forth in the limited partnership agreement of Summit Holdings, from and after March 17, 2016 (subject to the terms of the exchange agreement), exchange their LP Units for Class A common stock on a one-for-one basis. The exchanges are expected to result in increases in the tax basis of the tangible and intangible assets of Summit Holdings. These increases in tax basis may increase (for tax purposes) depreciation and amortization deductions and therefore reduce the amount of tax that Summit Inc. would otherwise be required to pay in the future, although the Internal Revenue Service (the "IRS") may challenge all or part of the tax basis increase, and a court could sustain such a challenge.

In connection with the IPO, we entered into a TRA with the holders of LP Units that provides for the payment by Summit Inc. to exchanging holders of LP Units of 85% of the benefits, if any, that Summit Inc. is deemed to realize as a result of the increases in tax basis described above and certain other tax benefits related to entering into the TRA, including tax benefits attributable to payments under the TRA. This payment obligation is an obligation of Summit Inc. and not of Summit Holdings. While the actual increase in tax basis and the actual amount and utilization of net operating losses, as well as the amount and timing of any payments under the TRA, will vary depending upon a number of factors, including the timing of exchanges, the price of shares of our Class A common stock at the time of the exchange, the extent to which such exchanges are taxable and the amount and timing of our income, we expect that as a result of the size of the transfers and increases in the tax basis of the tangible and intangible assets of Summit Holdings and our possible utilization of net operating losses, the payments that Summit Inc. may make under the TRA will be substantial.

In certain cases, payments under the TRA may be accelerated or significantly exceed the actual benefits Summit Inc. realizes in respect of the tax attributes subject to the TRA.

The TRA provides that upon certain changes of control, or if, at any time, Summit Inc. elects an early termination of the TRA, Summit Inc.'s obligations under the TRA may be accelerated. Summit Inc.'s ability to achieve benefits from any tax basis increase or net operating losses, and the payments to be made under the TRA, will depend upon a number of factors, including the timing and amount of our future income. As a result, even in the absence of a change of control or an election to terminate the TRA, payments under the TRA could be in excess of 85% of Summit Inc.'s actual cash tax savings.

The actual cash tax savings realized by Summit Inc. under the TRA may be less than the corresponding TRA payments. Further, payments under the TRA may be made years in advance of when the benefits, if any, are realized on our federal and state income tax returns. Accordingly, there may be a material negative effect on our liquidity if the payments under the TRA exceed the actual cash tax savings that Summit Inc. realizes in respect of the tax attributes

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subject to the TRA and/or distributions to Summit Inc. by Summit Holdings are not sufficient to permit Summit Inc. to make payments under the TRA. Based upon a $31.44 share price of our Class A common stock, which was the closing price on December 29, 2017, and a LIBOR rate of 3.11%, we estimate that if Summit Inc. were to exercise its termination right, the aggregate amount of these termination payments would be approximately $282 million. The foregoing number is merely an estimate and the actual payments could differ materially. We may need to incur debt to finance payments under the TRA to the extent our cash resources are insufficient to meet our obligations under the TRA as a result of timing discrepancies or otherwise.

Ownership of Our Class A Common Stock Risks

The market price of shares of our Class A common stock may be volatile, which could cause the value of your investment to decline.

The market price of our Class A common stock may be highly volatile and could be subject to wide fluctuations. Securities markets worldwide experience significant price and volume fluctuations. This market volatility, as well as general economic, market or political conditions, could reduce the market price of shares of our Class A common stock regardless of our operating performance. In addition, our operating results could be below the expectations of public market analysts and investors due to a number of potential factors, including variations in our quarterly operating results or dividends, if any, to stockholders, additions or departures of key management personnel, failure to meet analysts' earnings estimates, publication of research reports about our industry, litigation and government investigations, changes or proposed changes in laws or regulations or differing interpretations or enforcement thereof affecting our business, adverse market reaction to any indebtedness we may incur or securities we may issue in the future, changes in market valuations of similar companies or speculation in the press or investment community, announcements by our competitors of significant contracts, acquisitions, dispositions, strategic partnerships, joint ventures or capital commitments, adverse publicity about the industries we participate in or individual scandals, and in response the market price of shares of our Class A common stock could decrease significantly. You may be unable to resell your shares of Class A common stock for a profit.

In past years, stock markets have experienced extreme price and volume fluctuations. In the past, following periods of volatility in the overall market and the market price of a company's securities, securities class action litigation has often been instituted against these companies. Such litigation, if instituted against us, could result in substantial costs and a diversion of our management's attention and resources.

Because we have no current plans to pay cash dividends on our Class A common stock, you may not receive any return on investment unless you sell your Class A common stock for a price greater than that which you paid for it.

We have no current plans to pay any cash dividends. The declaration, amount and payment of any future dividends on shares of Class A common stock will be at the sole discretion of our board of directors. Our board of directors may take into account general and economic conditions, our financial condition and results of operations, our available cash and current and anticipated cash needs, capital requirements, contractual, legal, tax and regulatory restrictions and implications on the payment of dividends by us to our stockholders or by our subsidiaries to us and such other factors as our board of directors may deem relevant. In addition, our ability to pay dividends is limited by our senior secured credit facilities and our Senior Notes and may be limited by covenants of other indebtedness we or our subsidiaries incur in the future. As a result, you may not receive any return on an investment in our Class A common stock unless you sell our Class A common stock for a price greater than that which you paid for it.

Future issuance of additional Class A common stock, or securities convertible or exchangeable for Class A common stock, may adversely affect the market price of the shares of our Class A common stock.

As of December 30, 2017, we had 110,350,594 shares of Class A common stock issued and outstanding, and had 889,649,406 shares authorized but unissued. The number of unissued shares includes 3,689,620 shares available for issuance upon exchange of LP Units held by limited partners of Summit Holdings. Our amended and restated certificate of incorporation authorizes us to issue shares of Class A common stock and options, rights, warrants and appreciation rights relating to Class A common stock for the consideration and on the terms and conditions established by our board of directors in its sole discretion. We may need to raise significant additional equity capital in connection with acquisitions or otherwise. Similarly, the limited partnership agreement of Summit Holdings permits Summit Holdings to issue an unlimited number of additional limited partnership interests of Summit Holdings with designations, preferences, rights, powers and duties that are different from, and may be senior to, those applicable to the LP Units, and which may be exchangeable for shares of our Class A common stock. Sales of substantial amounts of Class A common stock, or securities convertible or exchangeable for Class A common stock, or the perception that such sales could occur may adversely affect the prevailing market price for the shares of our Class A common stock. Thus holders of our Class A common stock will bear the risk of our future issuances reducing the market price of our Class A common stock and diluting the value of their stock holdings in us.

An aggregate of 13,500,000 shares of Class A common stock and LP Units may be granted under the Summit Materials, Inc. 2015 Omnibus Incentive Plan (the "Omnibus Incentive Plan") of which 4,873,654 have been granted as of December 30, 2017. In addition, as of December 30, 2017 we had outstanding warrants to purchase an aggregate of 102,778 shares of Class A common stock. Any Class A common stock that we issue, including under our Omnibus Incentive Plan or other equity incentive plans that we may adopt in the future, or upon exercise of outstanding options or warrants, or other securities convertible or exchangeable for Class A common stock would dilute the percentage ownership held by the investors of our Class A common stock and may adversely affect the market price of the shares of our Class A common stock.

Anti-takeover provisions in our organizational documents and Delaware law might discourage or delay acquisition attempts for us that you might consider favorable.

Our amended and restated certificate of incorporation and amended and restated bylaws contain provisions that may make the merger or acquisition of our company more difficult without the approval of our board of directors. Among other things, these provisions:

- would allow us to authorize the issuance of undesignated preferred stock in connection with a stockholder rights plan or otherwise, the terms of which may be established and the shares of which may be issued without stockholder approval, and which may include super voting, special approval, dividend, or other rights or preferences superior to the rights of the holders of Class A common stock;

- prohibit stockholder action by written consent unless such action is recommended by all directors then in office;

- provide that the board of directors is expressly authorized to make, alter, or repeal our bylaws and that our stockholders may only amend our bylaws with the approval of 66⅔% or more in voting power of all outstanding shares of our capital stock.

- establish advance notice requirements for nominations for elections to our board or for proposing matters that can be acted upon by stockholders at stockholder meetings.

Further, as a Delaware corporation, we are also subject to provisions of Delaware law, which may impair a takeover attempt that our stockholders may find beneficial. These anti-takeover provisions and other provisions under Delaware law could discourage, delay or prevent a transaction involving a change in control of our company, including actions that our stockholders may deem advantageous, or negatively affect the trading price of our Class A common stock. These provisions could also discourage proxy contests and make it more difficult for you and other stockholders to elect directors of your choosing and to cause us to take other corporate actions you desire.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

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ITEM 2. PROPERTIES.

Properties

Our headquarters are located in a 21,615 square foot office space, which we lease in Denver, Colorado, under a lease expiring on January 31, 2024.

As of December 30, 2017, we had 3.3 billion tons of proven and probable aggregates reserves serving our aggregates and cement businesses and operated over 400 sites and plants, to which we believe we have adequate road, barge and/or railroad access. By segment, our estimate of proven and probable reserves as of December 30, 2017 for which we have permits for extraction and that we consider to be recoverable aggregates of suitable quality for economic extraction are shown in the table below along with average annual production.

Segment	Number of producing quarries	Tonnage of reserves for each general type of aggregate		Annual production(1)	Average years until depletion at current production(2)	Percent of reserves owned and percent leased	
		Hard rock(1)	Sand and gravel(1)			Owned	Leased(3)
West	81	353,201	772,085	22,965	49	33 %	67 %
East	121	1,345,340	334,522	16,309	103	61 %	39 %
Cement	3	508,965	—	1,858	274	100 %	—
Total	205	2,207,506	1,106,607	41,132			

(1) Hard rock, sand and gravel and annual production tons are shown in thousands.
(2) Calculated based on total reserves divided by our average of 2017 and 2016 annual production
(3) Lease terms range from monthly to on-going with an average lease expiry of 2024.

As of December 30, 2017, we operated the following production and distribution facilities:

	Quarries and Sand Deposits	Cement Plants	Cement Distribution Terminals	Fixed and portable ready-mix concrete plants	Asphalt paving mix plants
Owned	76	2	6	98	26
Leased	115	—	4	24	21
	14	—	—	—	4

Partially owned and leased					
Total	205	2	10	122	51

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The following chart summarizes our production and distribution facilities by state as of December 30, 2017:

State	Sand & Gravel	Limestone	Cement	Ready-mix Concrete	Asphalt Plant	Landfill	Other*
Arkansas	5	—	—	17	2	—	2
Colorado	33	1	—	9	7	—	6
Georgia	—	1	—	—	—	—	1
Idaho	4	—	—	3	—	—	2
Iowa	—	1	2	—	—	—	1
Kansas	9	28	—	17	6	3	14
Kentucky	1	18	—	10	14	—	9
Louisiana	—	—	3	—	—	—	1
Minnesota	—	—	2	—	—	—	—
Missouri	—	34	3	7	—	—	7
Nebraska	—	1	—	—	—	—	—
Nevada	1	—	—	2	—	—	—
New Mexico	1	—	—	—	—	—	—
North Carolina	4	—	—	—	—	—	2
Oklahoma	4	—	—	11	—	—	2
South Carolina	11	1	—	1	—	—	—
Tennessee	—	1	2	—	—	—	—
Texas	10	3	—	21	13	—	14
Utah	19	2	—	18	4	—	3
Virginia	—	9	—	4	4	—	3
Wisconsin	—	—	1	—	—	—	—
Wyoming	1	—	—	2	—	—	2
Total US	103	100	13	122	50	3	69
British Columbia, Canada	—	2	—	—	1	—	6
Total	103	102	13	122	51	3	75

*Other primarily consists of office space.

ITEM 3.LEGAL PROCEEDINGS.

The information set forth under “—Legal Proceedings” in Item 1, “Business,” is incorporated herein by reference.

ITEM 4.MINE SAFETY DISCLOSURES.

The information concerning mine safety violations or other regulatory matters required by Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act and Item 104 of Regulation S-K (17 CFR 229.104) is included in Exhibit 95.1 to this report.

EXECUTIVE OFFICERS OF THE COMPANY

Pursuant to General Instruction G(3) to Form 10-K, certain of the information regarding our executive officers required by Items 401(b) and (e) of Regulation S-K is hereby included in Part I of this report.

Thomas W. Hill, 62, President and Chief Executive Officer. Mr. Hill is the founder of Summit Materials and has been President and Chief Executive Officer since its inception. He has been a member of our Board of Directors since August 2009. From 2006 to 2008, he was the Chief Executive Officer of Oldcastle, Inc. (“Oldcastle”), the North American arm of CRH plc, one of the world's leading construction materials companies. Mr. Hill served on the CRH plc Board of Directors from 2002 to 2008 and, from 1992 to 2006, ran the Materials division of Oldcastle. Mr. Hill served as Chairman of the American Road and Transportation Builders Association (“ARTBA”) from 2002 to 2004, during congressional consideration of the multi-year transportation bill “SAFETEA-LU.” Mr. Hill has been Treasurer of both the National Asphalt Pavement Association and the National Stone Association, and he remains active with ARTBA’s Executive Committee. Mr. Hill received a Bachelor of Arts in Economics and History from Duke University and a Masters of Business Administration from Trinity College in Dublin, Ireland.

Thomas A. Beck, 60, Executive Vice President and Cement Division President. Mr. Beck joined the Company in May 2010 when the Company purchased a controlling interest in Continental Cement. Mr. Beck is Executive Vice President and Cement Division President, a position he has held since January 2013. He was a Senior Vice President with Continental Cement from 2005 to 2013 and its VP, Sales & Marketing, from l 996 to 2005. Mr. Beck also held

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various positions with Holnam (predecessor to Holcim (US) Inc.) from 1987 to 1996. Mr. Beck currently serves on the Executive Committee and is Vice Chairman of the Portland Cement Association and is active on several cement and concrete industry boards. Mr. Beck received a Bachelor of Science degree in Civil Engineering from the University of Illinois.

Anne Lee Benedict, 45, Executive Vice President, Chief Legal Officer and Secretary. Ms. Benedict joined the Company in October 2013. Prior to joining the Company, Ms. Benedict was a corporate partner in the Washington, D.C. office of Gibson, Dunn & Crutcher LLP, where she had practiced since 2000. Ms. Benedict's practice involved a wide range of corporate law matters, including mergers and acquisitions, joint ventures and other strategic transactions, securities offerings, securities regulation and corporate governance matters. Ms. Benedict received a Bachelor of Arts degree in English and Psychology from the University of Michigan and a Juris Doctor from the University of Pennsylvania Law School.

Michael J. Brady, 50, Executive Vice President and Chief Business Development Officer. Mr. Brady joined the Company in April 2009 after having been a Senior Vice President at CRH Plc’s U.S. subsidiary, Oldcastle, with overall responsibility for acquisitions and business development, having joined Oldcastle in 2000. Prior to that, Mr. Brady worked in several operational and general management positions in the paper and packaging industry in Ireland, the United Kingdom and Asia Pacific with the Jefferson Smurfit Group, plc (now Smurfit Kappa Group plc). Mr. Brady received a Bachelor of Engineering (Electrical) and a Master of Engineering Science (Microelectronics) from University College, Cork in Ireland and a Master of Business Administration degree from INSEAD in France.

M. Shane Evans, 47, Executive Vice President and West Division President. Mr. Evans joined the Company as West Region President in August 2010 with over 20 years of experience in the construction materials industry. Prior to joining the Company, Mr. Evans worked at Oldcastle for 12 years, most recently as a Division President. He started his career working in his family's construction and materials business where he held various operational and executive positions. Mr. Evans received a Bachelor of Science degree from Montana State University.

Brian J. Harris, 61, Executive Vice President and Chief Financial Officer. Mr. Harris joined the Company as Chief Financial Officer in October 2013 after having been Executive Vice President and Chief Financial Officer of Bausch & Lomb Holdings Incorporated, a leading global eye health company, from 2009 to 2013. From 1990 to 2009, Mr. Harris held positions of increasing responsibility with industrial, automotive, building products and engineering manufacturing conglomerate Tomkins plc, including President of the $2 billion worldwide power transmission business for Gates Corporation, and Senior Vice President for Strategic Business Development and Business Administration, Chief Financial Officer and Secretary of Gates Corporation. Mr. Harris received a Bachelor of Accountancy from Glasgow University and is qualified as a Scottish Chartered Accountant.

Damian J. Murphy, 48, Executive Vice President and East Division President. Mr. Murphy joined the Company in August 2009 with over 20 years of experience in the construction materials and mining industries, working with both public and privately held companies. Prior to joining the Company, Mr. Murphy served roles as regional president and company president for Oldcastle starting in 2004. Prior to that Mr. Murphy served as vice president of Aggregate Industries' Rocky Mountain region, responsible for aggregates and hot mix asphalt production and sales. Before joining Aggregate Industries, Mr. Murphy worked in the mid-Atlantic for a top 10 privately held aggregate supplier and began his career in the industry in Europe. Mr. Murphy received a Bachelor of Engineering degree with a concentration in Minerals Engineering from the Cambome School of Mines/ Exeter University in the United Kingdom. Mr. Murphy is not related to Summit Inc. director John R. Murphy. Mr. Murphy will be leaving his role at the Company effective March 31, 2018.

Karl H. Watson Jr., 53, Executive Vice President and Chief Operating Officer. Mr. Watson joined the Company in January 2018 with over 25 years of experience in the construction materials industry. From January 2017 to December 2017, Mr. Watson served as President, Cement & Southwest Ready Mix at Martin Marietta. Prior to joining Martin Marietta, Mr. Watson served in various leadership positions at CEMEX, and Rinker Group Ltd., an Australian building materials supplier that was acquired by CEMEX in 2007. From January 2016 to June 2016, Mr. Watson served as an advisor to CEMEX, where he was previously the President of CEMEX USA and Global Relation Manager, Network Leader, from 2011 to 2015. From 2008 to 2011, Mr. Watson served as President of CEMEX, Florida and CEMEX, East, USA. From 1988 to 2008, Mr. Watson served in various positions at Rinker Group Ltd., including, most recently, Regional President, Rinker Materials West from 2004 to 2008. Mr. Watson is currently on the board of directors of the Texas Aggregates & Concrete Association and on the executive committee of the Portland Cement Association where he served as the vice chairman from 2013 to 2015. Mr. Watson has received a Bachelor of Science degree in Business Administration from Palm Beach Atlantic University.

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PART II

ITEM 5.MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

Market Information

Summit Inc.'s Class A common stock began publicly trading on the NYSE under the symbol "SUM" on March 11, 2015. Prior to that time, there was no public market for our Class A common stock. Our Class B common stock is not publicly traded. As of February 7, 2018, there were five holders of record of our Class A common stock and 31 holders of record of our Class B common stock.

The above stockholder figure does not include a substantially greater number of holders whose shares are held of record by banks, brokers and other financial institutions. The following table sets forth, for the periods indicated, the high and low sales prices of our Class A common stock as reported by the NYSE from January 3, 2016, through December 30, 2017.

Year ended December 31, 2016	High	Low
First Quarter ended April 2, 2016	$ 20.14	$ 12.94
Second Quarter ended July 2, 2016	$ 22.69	$ 18.14
Third Quarter ended October 1, 2016	$ 22.39	$ 17.24
Fourth Quarter ended December 31, 2016	$ 24.72	$ 17.80

Year ended December 30, 2017	High	Low
First Quarter ended April 1, 2017	$ 26.09	$ 21.88
Second Quarter ended July 1, 2017	$ 28.87	$ 23.39
Third Quarter ended September 30, 2017	$ 32.04	$ 26.00
Fourth Quarter ended December 30, 2017	$ 32.59	$ 28.45

As of February 14, 2018, 100% of the outstanding limited liability company interests of Summit LLC were held by Summit Materials Intermediate Holdings, LLC, an indirect subsidiary of Summit Inc. There is no established public trading market for limited liability company interests of Summit LLC.

Dividends

On December 22, 2017 and December 28, 2016, Summit Inc. paid a stock dividend of 0.014 shares and 0.012 shares, respectively, of its Class A common stock for each then outstanding share of Class A common stock as of the applicable record dates. Summit Holdings makes cash distributions to Summit Holdings' LP Unit holders to cover tax obligations arising from allocated taxable income. As an LP Unit holder, Summit Inc. received cash distributions from Summit Holdings in excess of the amount required to satisfy Summit Inc.'s tax obligations. In fiscal 2017 and 2016, Summit Inc. primarily used the excess cash of approximately $45.0 million and $26.9 million, respectively, to acquire newly-issued LP Units from Summit Holdings. The LP Units were purchased at a per unit price of $29.60 and $23.72, respectively, which is the volume weighted average price per share of the Class A common stock for the five trading days ended November 27, 2017 and December 1, 2016, respectively. Immaterial cash payments were made in lieu of fractional shares.

If Summit Inc. uses future excess tax distributions to purchase additional LP Units, we anticipate that in order to maintain the relationship between the shares of Class A common stock and the LP Units, our board of directors may continue to declare stock dividends on the Class A common stock.

Summit Inc. has no current plans to pay cash dividends on its Class A common stock. The declaration, amount and payment of any future dividends on shares of Class A common stock is at the sole discretion of our board of directors and we may reduce or discontinue entirely the payment of any such dividends at any time. Our board of directors may take into account general and economic conditions, our financial condition and operating results, our available cash and current and anticipated cash needs, capital requirements, contractual, legal, tax and regulatory restrictions and implications on the payment of dividends by us to our stockholders or by our subsidiaries to us, and such other factors as our board of directors may deem relevant.

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Summit Inc. is a holding company and has no material assets other than its ownership of LP Units. Should we decide to pay a cash dividend on our Class A common stock in the future, we anticipate funding this cash dividend by causing Summit Holdings to make distributions to Summit Inc. in an amount sufficient to cover such dividend, whereupon the other holders of LP Units will also be entitled to receive distributions pro rata in accordance with the percentages of their respective limited partnership interests. Because Summit Inc. must pay taxes and make payments under the TRA, any amounts ultimately distributed as dividends to holders of our Class A common stock are expected to be less on a per share basis than the amounts distributed by Summit Holdings to its partners on a per LP Unit basis.

The agreements governing our senior secured credit facilities and the Senior Notes contain a number of covenants that restrict, subject to certain exceptions, Summit LLC's ability to pay distributions to its parent company and ultimately to Summit Inc. See Note 8, Debt, to our consolidated financial statements.

Any financing arrangements that we enter into in the future may include restrictive covenants that limit our ability to pay dividends. In addition, Summit Holdings is generally prohibited under Delaware law from making a distribution to a limited partner to the extent that, at the time of the distribution, after giving effect to the distribution, liabilities of Summit Holdings (with certain exceptions) exceed the fair value of its assets.

Subsidiaries of Summit Holdings are generally subject to similar legal limitations on their ability to make distributions to Summit Holdings.

Issuer Purchases of Equity Securities

During the quarter and year ended December 30, 2017, we did not purchase any of our equity securities that are registered under Section 12(b) of the Securities Exchange Act of 1934, as amended (the "Exchange Act").

Unregistered Sales of Equity Securities

There were no unregistered sales of equity securities which have not been previously disclosed in a quarterly report on Form 10-Q or a current report on Form 8-K during the year ended December 30, 2017.

ITEM 6.SELECTED FINANCIAL DATA.

The following selected financial data should be read together with the more detailed information contained in "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements and the related notes thereto included elsewhere in this report. Summit Holdings, which commenced operations on August 26, 2009, is considered Summit Inc.'s predecessor for accounting purposes, and its consolidated financial statements are Summit Inc.'s historical financial statements. Under U.S. GAAP, Summit Holdings meets the definition of a variable interest entity.

The following tables set forth consolidated financial data for the five most recent years, derived from Summit Inc.'s and Summit LLC's audited consolidated financial statements. The selected statements of operations data for the years ended December 30, 2017, December 31, 2016 and January 2, 2016 and the selected balance sheet data as of December 30, 2017 and December 31, 2016 are derived from audited consolidated financial statements included elsewhere in this report. The selected statements of operations data for the years ended December 27, 2014 and December 28, 2013 and the selected balance sheet data as of January 2, 2016, December 27, 2014 and December 28, 2013 are derived from audited consolidated financial statements not included in this report.

Our fiscal year is based on a 52-53 week year with each quarter consisting of 13 weeks ending on a Saturday. The 53-week year occurs approximately once every seven years, including 2015. The additional week in the 53-week year was included in the fourth quarter. Historical results are not necessarily indicative of the results to be expected in the future.

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Summit Materials, Inc.

($ in thousands)	Year Ended December 30, 2017	December 31, 2016	January 2, 2016	December 27, 2014	December 28, 2013
Statement of Operations Data:					
Total revenue	$ 1,932,575	$ 1,626,063	$ 1,432,297	$ 1,204,231	$ 916,201
Income (loss) from continuing operations	$ 125,777	$ 46,126	$ (931)	$ (6,353)	$ (103,151)
Net income per share of Class A common stock:					
Basic	$ 1.12	$ 0.52	$ 0.68		
Diluted	$ 1.11	$ 0.52	$ 0.50		
Balance Sheet Data (as of period end):					
Total assets	3,787,333	2,781,466	2,396,179	1,712,653	1,237,680
Total debt, including current portion of long-term debt, excluding original issuance premium or discount and deferred financing costs	1,835,375	1,540,250	1,296,750	1,040,670	695,890
Capital leases	35,723	39,314	44,822	31,210	8,026
Other Financial Data (as of period end):					
Ratio of earnings to fixed charges(1)	2.0 x	1.6 x	0.8 x	0.8 x	N/A

(1) The ratio of earnings to fixed charges is determined by dividing adjusted earnings, as calculated in Exhibit 12.1 hereto, by fixed charges. Fixed charges consist of interest on indebtedness plus that portion of operating lease rentals representative of the interest factor (deemed to be 33% of operating lease rentals). Earnings were insufficient to cover fixed charges by $19.1 million, $14.0 million, and $107.5 million in fiscal 2015, 2014 and 2013, respectively.

Summit Materials, LLC

	Year Ended December 30,	December 31,	January 2,	December 27,	December 28,

(in thousands)	2017	2016	2016	2014	2013
Statement of Operations Data:					
Total revenue	$ 1,932,575	$ 1,626,063	$ 1,432,297	$ 1,204,231	$ 916,201
Income (loss) from continuing operations	$ 134,041	$ 62,087	$ (59)	$ (6,353)	$ (103,151)
Balance Sheet Data (as of period end):					
Total assets	3,504,241	2,776,420	2,395,162	1,712,653	1,234,414
Total debt, including current portion of long-term debt, excluding original issuance premium or discount and deferred financing costs	1,835,375	1,540,250	1,296,750	1,040,670	695,890
Capital leases	35,723	39,314	44,822	31,210	8,026
Other Financial Data (as of period end):					
Ratio of earnings to fixed charges(1)	2.0 x	1.6 x	0.8 x	0.8 x	N/A

(1) The ratio of earnings to fixed charges is determined by dividing adjusted earnings, as calculated in Exhibit 12.1 hereto, by fixed charges. Fixed charges consist of interest on indebtedness plus that portion of operating lease rentals representative of the interest factor (deemed to be 33% of operating lease rentals). Earnings were insufficient to cover fixed charges by $19.1 million, $14.0 million, and $107.5 million in fiscal 2015, 2014 and 2013, respectively.

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ITEM 7.MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

This Management’s Discussion and Analysis of Financial Condition and Results of Operations is intended to assist in understanding and assessing the trends and significant changes in our results of operations and financial condition. Historical results may not be indicative of future performance. Forward-looking statements reflect our current views about future events, are based on assumptions and are subject to known and unknown risks and uncertainties that could cause actual results to differ materially from those contemplated by these statements. Factors that may cause differences between actual results and those contemplated by forward-looking statements include, but are not limited to, those discussed in the section entitled “Risk Factors” and any factors discussed in the sections entitled “Disclosure Regarding Forward-Looking Statements” and “Risk Factors” of this report. This Management’s Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with the “Selected Historical Consolidated Financial Data,” our audited consolidated annual financial statements and the related notes thereto and other information included in this report.

Overview

We are one of the fastest growing construction materials companies in the United States, with a 111% increase in revenue between the year ended December 28, 2013 and the year ended December 30, 2017. Within our markets, we offer customers a single-source provider for construction materials and related downstream products through our vertical integration. Our materials include aggregates, which we supply across the United States, and in British Columbia, Canada, and cement, which we supply to surrounding states along the Mississippi River from Minneapolis to New Orleans. In addition to supplying aggregates to customers, we use our materials internally to produce ready-mix concrete and asphalt paving mix, which may be sold externally or used in our paving and related services businesses. Our vertical integration creates opportunities to increase aggregates volumes, optimize margin at each stage of production and provide customers with efficiency gains, convenience and reliability, which we believe gives us a competitive advantage.

Since our inception in 2009, we have completed dozens of acquisitions, which are organized into 12 operating companies that make up our three distinct operating segments—West, East and Cement. We operate in 23 U.S. states and British Columbia, Canada. Our highly experienced management team, led by our President and Chief Executive Officer, Tom Hill, who has over 35 years of industry experience, has successfully enhanced the operations of acquired companies by focusing on scale advantages, cost efficiencies and pricing discipline to improve profitability and cash flow.

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We operate in 23 U.S. states and in British Columbia, Canada and currently have assets in 22 U.S. states and British Columbia, Canada. The map below illustrates our geographic footprint:

Business Trends and Conditions

The U.S. construction materials industry is composed of four primary sectors: aggregates; cement; ready-mix concrete; and asphalt paving mix. Each of these materials is widely used in most forms of construction activity. Participants in these sectors typically range from small, privately-held companies focused on a single material, product or market to multinational corporations that offer a wide array of construction materials and services. Competition is constrained in part by the distance materials can be transported efficiently, resulting in predominantly local or regional operations. Due to the lack of product differentiation, competition for all of our products is predominantly based on price and, to a lesser extent, quality of products and service. As a result, the prices we charge our customers are not likely to be materially different from the prices charged by other producers in the same markets. Accordingly, our profitability is generally dependent on the level of demand for our products and our ability to control operating costs.

Our revenue is derived from multiple end-use markets including public infrastructure construction and private residential and nonresidential construction. Public infrastructure includes spending by federal, state, provincial and local governments for roads, highways, bridges, airports and other infrastructure projects. Public infrastructure projects have

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historically been a relatively stable portion of state and federal budgets. Residential and nonresidential construction consists of new construction and repair and remodel markets. Any economic stagnation or decline, which could vary by local region and market, could affect our results of operations. Our sales and earnings are sensitive to national, regional and local economic conditions and particularly to cyclical changes in construction spending, especially in the private sector. From a macroeconomic view, we see positive indicators for the construction sector, including upward trends in highway obligations, housing starts and construction employment. All of these factors should result in increased construction activity in the private sector. However, construction activity is not consistent across the United States. Certain of our markets are showing solid growth, other markets, notably Kansas, have experienced a decrease.

Transportation infrastructure projects, driven by both federal and state funding programs, represent a significant share of the U.S. construction materials market. Federal funds are allocated to the states, which are required to match a portion of the federal funds they receive. Federal highway spending uses funds predominantly from the Federal Highway Trust Fund, which derives its revenue from taxes on diesel fuel, gasoline and other user fees. The dependability of federal funding allows the state departments of transportation to plan for their long term highway construction and maintenance needs. Funding for the existing federal transportation funding program extends through 2020. With the nation’s infrastructure aging, there is increased demand by states and municipalities for long-term federal funding to support the construction of new roads, highways and bridges in addition to the maintaining the existing infrastructure. The U.S. President and his administration have called for, among other things, an infrastructure stimulus plan. However, there is currently a lack of clarity around both the timing and details of any such infrastructure plan and the impact, if any, it or other proposed changes in law and regulations may have on our business.

In addition to federal funding, state, county and local agencies provide highway construction and maintenance funding. Our four largest states by revenue, Texas, Utah, Kansas and Missouri, represented approximately 21%, 13%, 12% and 9%, respectively, of our total revenue in 2017. The following is a summary of key funding initiatives in those states:

· According to the Texas Department of Transportation (“TXDOT”) total annual funding available for transportation infrastructure, including state and federal funding, is estimated to be approximately $10.3 billion in fiscal year 2018 (commencing September 1, 2017), increasing to $14.3 billion by fiscal year 2020. Texas’ Unified Transportation Program plans for $70 billon to fund transportation projects from 2017 through 2026.

o In November 2014, Texas voters approved a ballot measure known as Proposition 1, which authorized a portion of the severance taxes on oil and natural gas to be redirected to the State Highway Fund each year. As of November 2017, TXDOT anticipates that funding from Proposition 1 for fiscal year 2018 will be in excess of $550 million, increasing to more than $800 million by fiscal year 2020.

o In November 2015, voters approved the ballot measure known as Proposition 7, authorizing a constitutional amendment for transportation funding. The amendment dedicates a portion of the state’s general sales and use taxes and motor vehicle sales and rental taxes to the State Highway Fund for use on non-tolled projects. Beginning in September 2017 (fiscal year 2018), if general state sales and use tax revenue exceeds $28 billion in a fiscal year, the next $2.5 billion will be directed to the State Highway Fund. Additionally, beginning in September 2019 (fiscal year 2020), if state motor vehicle sales and rental tax revenue exceeds $5 billion in a fiscal year, 35% of the amount above $5 billion will be directed to the State Highway Fund. As of November 2017, TXDOT anticipated that funding from Proposition 7 for fiscal year 2019 would be approximately $2.9 billion dollars, increasing to more than $4.7 billion by fiscal year 2020.

· Utah's transportation investment fund has $2.3 billion programmed for 2017 through 2022. In early 2017, Utah's governor signed into law a measure to allow the state to issue up to $1 billion in highway general obligation bonds to accelerate funding for a number of projects that the Utah Transportation Commission already approved.

· Kansas has a 10 year $8.2 billion highway bill that was passed in May 2010. Kansas public spending in 2018 is expected to approximate 2017 levels, and may decrease below those levels in 2019 given austerity measures put into effect under the most recent gubernatorial administration.

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· Missouri's Statewide Transportation Improved Program for 2017 through 2021 states that $4.0 billion is available for awards for highway and bridge construction.

The table below sets forth additional details regarding our four key states, including growth rates as compared to the U.S. as a whole:

State	Percentage of Our Total Revenue	Revenue by End Market(1) Residential and Nonresidential Construction	Projected Industry Growth by End Market 2018 to 2020(2) Residential Construction	Nonresidential Construction
Texas	21%	59%	4.0%	6.7%
Utah	13%	92%	6.5%	17.5%
Kansas	12%	52%	8.3%	5.2%
Missouri	9%	73%	11.6%	8.1%
Weighted average(3)			6.8%	9.2%
United States(2)			9.1%	5.5%

(1) Percentages based on our revenue by state for the year ended December 30, 2017 and management's estimates as to end markets.
(2) Source: PCA
(3) Calculated using a weighted average based on each state's percentage contribution to our total revenue.

Use and consumption of our products fluctuate due to seasonality. Nearly all of the products used by us, and by our customers, in the private construction and public infrastructure industries are used outdoors. Our highway operations and production and distribution facilities are also located outdoors. Therefore, seasonal changes and other weather-related conditions, in particular extended rainy and cold weather in the spring and fall and major weather events, such as hurricanes, tornadoes, tropical storms and heavy snows, can adversely affect our business and operations through a decline in both the use of our products and demand for our services. In addition, construction materials production and shipment levels follow activity in the construction industry, which typically occurs in the spring, summer and fall. Warmer and drier weather during the second and third quarters of our fiscal year typically result in higher activity and revenue levels during those quarters.

Our acquisition strategy has historically required us to raise capital through equity issuances or debt financings. As of December 30, 2017 and December 31, 2016, our long-term borrowings, including the current portion, totaled $1.8 billion and $1.5 billion. In addition, our cash flows provided by operating activities was $292.2 million in the year ended December 30, 2017. Our senior secured revolving credit facility, which has maximum availability of $235.0 million, of which $218.9 million is currently available to us after deducting $16.1 million of outstanding letters of credit has been adequate to fund our seasonal working capital needs and certain acquisitions. We had no outstanding borrowings on the revolving credit facility as of December 30, 2017.

Financial Highlights—Year Ended December 30, 2017

The principal factors in evaluating our financial condition and operating results for the year ended December 30, 2017 are:

- Net revenue increased $264.1 million in 2017, as a result of pricing and volume increases across our product lines, which includes contributions from our acquisitions.

- Our operating income increased $66.2 million in 2017, primarily due to increases in net revenue from acquisitions, and to a lesser extent, organic growth, partially offset by increases in the related costs of revenue. Our general and administrative expenses in 2017 are lower than the comparable periods in 2016. Our 2016 results included $37.3 million of stock-based compensation charges related to the modification of LP Units and stock options that had been granted prior to our IPO. Excluding those one time equity modification expenses, our general and administrative expenses are essentially flat as a percentage of net revenue.

- We paid $374.9 million in cash for 14 acquisitions, net of cash acquired.

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- In June 2017, we issued $300.0 million of 5$1/_8$% senior notes due June 1, 2025 (the “2025 Notes”), resulting in proceeds of $295.4 million, net of related fees and expenses.

- In January 2017, we raised $237.6 million, net of underwriting discounts, through the issuance of 10,000,000 shares of Class A common stock at a public offering price of $24.05 per share.

- For the year ended December 30, 2017, we recorded an income tax benefit of $284.0 million, primarily due to a $532.0 million reduction of our valuation allowance against our deferred tax assets during 2017, offset by a reduction in the carrying value of our deferred tax assets of $235.2 million in the fourth quarter of 2017 as a result of Tax Cuts and Jobs Act of 2017 (the “TCJA”).

- As those deferred tax assets referred to above were also subject to our TRA, we recorded TRA expense of $271.0 million of which $501.8 million was in the third quarter of 2017 when we released our valuation allowance, offset by a reduction in the fourth quarter of 2017 in our estimated TRA liability of $216.9 million primarily due to the reduced federal corporate tax rate.

Acquisitions

In addition to our organic growth, we continued to grow our business through acquisitions, completing a total of 14 acquisitions in 2017, of which six were in the West segment and eight were in the East segment.

Components of Operating Results

Total Revenue

We derive our revenue predominantly by selling construction materials and products and providing paving and related services. Construction materials consist of aggregates and cement. Products consist of related downstream products, including ready-mix concrete, asphalt paving mix and concrete products. Paving and related services that we provide are primarily asphalt paving services.

Revenue derived from the sale of construction materials are recognized when risks associated with ownership have passed to unaffiliated customers. Typically this occurs when products are shipped. Product revenue generally includes sales of aggregates, cement and related downstream products and other materials to customers, net of discounts or allowances and taxes, if any.

Revenue derived from paving and related services are recognized on the percentage-of-completion basis, measured by the cost incurred to date compared to estimated total cost of each project. This method is used because management considers cost incurred to be the best available measure of progress on these contracts. Due to the inherent uncertainties in estimating costs, it is at least reasonably possible that the estimates used will change over the life of the contract.

Operating Costs and Expenses

The key components of our operating costs and expenses consist of the following:

Cost of Revenue (excluding items shown separately)

Cost of revenue consists of all production and delivery costs and primarily includes labor, repair and maintenance, utilities, raw materials, fuel, transportation, subcontractor costs, royalties and other direct costs incurred in the production and delivery of our products and services. Our cost of revenue is directly affected by fluctuations in commodity energy prices, primarily diesel fuel, liquid asphalt and other petroleum-based resources. As a result, our operating profit margins can be significantly affected by changes in the underlying cost of certain raw materials if they are not recovered through corresponding changes in revenue. We attempt to limit our exposure to changes in commodity energy prices by entering into forward purchase commitments when appropriate. In addition, we have sales price adjustment provisions that provide for adjustments based on fluctuations outside a limited range in certain energy-related production costs. These provisions are in place for most of our public infrastructure contracts, and we seek to include similar price adjustment provisions in our private contracts.

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General and Administrative Expenses

General and administrative expenses consist primarily of salaries and personnel costs, including stock-based compensation charges, for our sales and marketing, administration, finance and accounting, legal, information systems, human resources and certain managerial employees. Additional expenses include audit, consulting and professional fees, travel, insurance, rental costs, property taxes and other corporate and overhead expenses.

Depreciation, Depletion, Amortization and Accretion

Our business is capital intensive. We carry property, plant and equipment on our balance sheet at cost, net of applicable depreciation, depletion and amortization. Depreciation on property, plant and equipment is computed on a straight-line basis or based on the economic usage over the estimated useful life of the asset. The general range of depreciable lives by category, excluding mineral reserves, which are depleted based on the units of production method on a site-by-site basis, is as follows:

Buildings and improvements	10 - 30	years
Plant, machinery and equipment	15 - 20	years
Office equipment	3 - 7	years
Truck and auto fleet	5 - 8	years
Mobile equipment and barges	6 - 8	years
Landfill airspace and improvements	10 - 30	years
Other	4 - 20	years

Amortization expense is the periodic expense related to leasehold improvements and intangible assets. The intangible assets were recognized with certain acquisitions and are generally amortized on a straight-line basis over the estimated useful lives of the assets. Leasehold improvements are amortized over the lesser of the life of the underlying asset or the remaining lease term.

Accretion expense is the periodic expense recorded for the accrued mining reclamation liabilities and landfill closure and post-closure liabilities using the effective interest method.

Transaction Costs

Transaction costs consist primarily of third party accounting, legal, valuation and financial advisory fees incurred in connection with acquisitions.

Results of Operations

The following discussion of our results of operations is focused on the key financial measures we use to evaluate the performance of our business from both a consolidated and operating segment perspective. Operating income and margins are discussed in terms of changes in volume, pricing and mix of revenue source (i.e., type of product sales or service revenue). We focus on operating margin, which we define as operating income as a percentage of net revenue, as a key metric when assessing the performance of the business, as we believe that analyzing changes in costs in relation to changes in revenue provides more meaningful insight into the results of operations than examining costs in isolation.

Operating income (loss) reflects our profit from continuing operations after taking into consideration cost of revenue, general and administrative expenses, depreciation, depletion, amortization and accretion and transaction costs. Cost of revenue generally increases ratably with revenue, as labor, transportation costs and subcontractor costs are recorded in cost of revenue. As a result of our revenue growth occurring primarily through acquisitions, general and administrative expenses and depreciation, depletion, amortization and accretion have historically grown ratably with revenue. However, as organic volumes increase, we expect these costs, as a percentage of revenue, to decrease. General and administrative expenses as a percentage of revenue vary throughout the year due to the seasonality of our business. Our transaction costs fluctuate with the level acquisition activity each year.

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The table below includes revenue and operating income (loss) by segment for the periods indicated. Operating income (loss) by segment is computed as earnings before interest, taxes and other income / expense.

	Year ended					
	December 30, 2017		December 31, 2016		January 2, 2016	
(in thousands)	Revenue	Operating income (loss)	Revenue	Operating income (loss)	Revenue	Operating income (loss)
West	$ 998,843	$ 130,334	$ 813,682	$ 100,659	$ 804,503	$ 96,498
East	629,919	67,739	531,294	65,424	432,310	49,445
Cement	303,813	89,360	281,087	82,521	195,484	64,950
Corporate (1)	—	(66,556)	—	(93,942)	—	(75,869)
Total	$ 1,932,575	$ 220,877	$ 1,626,063	$ 154,662	$ 1,432,297	$ 135,024

(1)Corporate results primarily consist of compensation and office expenses for employees included in the Company's headquarters. For the year ended December 31, 2016, we recognized $37.3 million of stock-based compensation charges associated with certain LP Units converted and options granted at the time of the IPO for which the performance metrics were met or waived in 2016. Approximately $28.3 million of costs associated with the IPO were included in the operating loss in the year ended January 2, 2016.

Consolidated Results of Operations

The table below sets forth our consolidated results of operations for the periods indicated:

	2017	2016	2015
(in thousands)			
Net revenue	$ 1,752,409	$ 1,488,274	$ 1,289,966
Delivery and subcontract revenue	180,166	137,789	142,331
Total revenue	1,932,575	1,626,063	1,432,297
Cost of revenue (excluding items shown separately below)	1,281,777	1,071,792	990,262
General and administrative expenses	242,670	243,512	177,769
Depreciation, depletion, amortization and accretion	179,518	149,300	119,723
Transaction costs	7,733	6,797	9,519
Operating income	220,877	154,662	135,024
Interest expense (1)	108,549	97,536	84,629
Loss on debt financings	4,815	—	71,631
Tax receivable agreement expense (1)	271,016	14,938	—
Other (income) expense, net	(5,303)	1,361	(2,042)
(Loss) income from operations before taxes (1)	(158,200)	40,827	(19,194)
Income tax benefit	(283,977)	(5,299)	(18,263)

Income (loss) from continuing operations	125,777	46,126	(931)
Income from discontinued operations	—	—	(2,415)
Net income (1)	$ 125,777	$ 46,126	$ 1,484

(1) The statement of operations above is based on the financial results of Summit Inc. and its subsidiaries, which was $8.3 million, $16.0 million and $0.9 million less than Summit LLC and its subsidiaries in the years ended December 30, 2017, December 31, 2016 and January 2, 2016, respectively, due to interest expense associated with a deferred consideration obligation, TRA expense and income tax benefit are obligations of Summit Holdings and Summit Inc., respectively and are thus excluded from Summit LLC's consolidated net income.

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Fiscal Year 2017 Compared to 2016

($ in thousands)	2017	2016	Variance	
Net revenue	$ 1,752,409	$ 1,488,274	$ 264,135	17.7 %
Operating income	220,877	154,662	66,215	42.8 %
Operating margin percentage	12.6 %	10.4 %		
Adjusted EBITDA (1)	$ 435,777	$ 371,347	$ 64,430	17.4 %

(1) Adjusted EBITDA is a non-GAAP measure that we find helpful in monitoring the performance of our business. See the definition of and the reconciliation of Adjusted EBITDA to the most directly comparable GAAP measure, net income, below.

Net revenue increased $264.1 million for the year ended December 30, 2017, primarily resulting from our acquisition program. Of the increase in net revenue, $80.5 million was from increased sales of materials, $146.4 million was from increased sales of products and $37.2 million was from increased service revenue. We generated organic volume growth in our aggregates, cement and asphalt lines of business in 2017 over the prior year. Additional discussion about the impact of acquisitions on each segment is presented in more detail below.

For the year ended December 30, 2017, our net revenue growth was $212.1 million and $52.0 million from acquisitions and organic revenue, respectively. Operating income increased by $66.2 million in 2017 as compared to 2016 as a result of a decrease in our general administrative expenses items referred to above, offset by an increase in our depreciation, depletion, amortization and accretion, and transaction costs. In 2017, we recognized $21.1 million of stock-based compensation compared to $49.9 million in 2016, of which $37.3 million were charges associated with certain LP Units exchanged and options granted at the time of the IPO for which the performance metrics were met or waived. Our depreciation, depletion, amortization and accretion increased $30.2 million largely due to acquisitions completed in 2017 and 2016.

Our operating margin percentage improved from 10.4% to 12.6% for the year ended December 30, 2017, due to pricing on materials and cement volume growth. Adjusted EBITDA, as defined below, increased by $64.4 million in the year ended December 30, 2017 as compared to the year ended December 31, 2016.

During 2017 and 2016, certain limited partners of Summit Holdings exchanged their LP Units for shares of Class A common stock of Summit Inc. The following table summarizes the changes in our ownership of Summit Holdings:

	Summit Inc. Shares (Class A)	LP Units	Total	Summit Inc. Ownership Percentage

Balance — January 2, 2016 (1)	52,402,692	50,275,825	102,678,517	51.0	%
Issuance of Class A shares	1,038	-	1,038		
Exchanges during period	45,124,528	(45,124,528)	-		
Other equity transactions	26,020	-	26,020		
Balance — December 31, 2016 (1)	97,554,278	5,151,297	102,705,575	95.0	%
January 2017 public offering	10,000,000	-	10,000,000		
Exchanges during period	1,461,677	(1,461,677)	-		
Other equity transactions	1,334,639	-	1,334,639		
Balance — December 30, 2017	110,350,594	3,689,620	114,040,214	96.8	%

(1) The January 2, 2016 balance of Summit Inc. Class A Shares of 52,402,692 is shown to reflect the retroactive application of 1,135,692 and 1,521,056 shares of Class A common stock issued as a stock dividend on December 28, 2016 and December 22, 2017, respectively. The December 31, 2016 balance of Summit Inc. Class A Shares of

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97,554,278 is shown to reflect the retroactive application of 1,521,056 shares of Class A common stock issued as a stock dividend on December 22, 2017.

During 2016, a significant number of LP Units were exchanged for shares of Class A common stock. As a result, the ownership percentage of the noncontrolling interest decreased from 49.0% as of January 2, 2016 to 5.0% as of December 31, 2016. Although LP Units continued to be exchanged for shares of Class A common stock during 2017, the change in the ownership percentage of the noncontrolling interest was from 5.0% at the beginning of 2017 to 3.2% as of December 30, 2017. As a result of this exchange activity in 2017 and 2016, although net income increased by $79.7 million for the year ended December 30, 2017, the amount of net income attributable to Summit Holdings decreased from $9.3 million in 2016 to $4.0 million in 2017.

As a vertically-integrated company, we include intercompany sales from materials to products and from products to services when assessing the operating results of our business. We refer to revenue inclusive of intercompany sales as gross revenue. These intercompany transactions are eliminated in the consolidated financial statements. Gross revenue by line of business was as follows:

($ in thousands)	2017	2016	Variance		
Revenue by product*:					
Aggregates	$ 415,873	$ 355,617	$ 60,256	16.9	%
Cement	286,360	256,046	30,314	11.8	%
Ready-mix concrete	493,089	396,597	96,492	24.3	%
Asphalt	307,654	263,652	44,002	16.7	%
Paving and related services	599,378	502,458	96,920	19.3	%
Other	(169,779)	(148,307)	(21,472)	(14.5)	%
Total revenue	$ 1,932,575	$ 1,626,063	$ 306,512	18.8	%

* Revenue by product includes intercompany and intracompany sales transferred at market value. The elimination of intracompany transactions is included in Other. Revenue from the liquid asphalt terminals is included in asphalt revenue.

Detail of our volumes and average selling prices by product for the years ended December 30, 2017 and December 31, 2016 were as follows:

	2017 Volume(1) (in thousands)	Pricing(2)	2016 Volume(1) (in thousands)	Pricing(2)	Percentage Change in Volume		Pricing	
Aggregates	41,712	$ 9.97	36,092	$ 9.85	15.6	%	1.2	%
Cement	2,547	112.42	2,357	108.63	8.1	%	3.5	%

Ready-mix concrete	4,680	105.37	3,823	103.74	22.4 %	1.6 %
Asphalt	5,263	54.19	4,359	54.74	20.7 %	(1.0) %

(1) Volumes are shown in tons for aggregates, cement and asphalt and in cubic yards for ready-mix concrete.
(2) Pricing is shown on a per ton basis for aggregates, cement and asphalt and on a per cubic yard basis for ready-mix concrete.

Revenue from aggregates increased $60.3 million for the year ended December 30, 2017, primarily due to increased volumes. Aggregate volumes were positively affected by the acquisitions completed in late 2016 and 2017, together with broad based growth in most of our markets, partially offset by declines in our Missouri and Houston markets. Organic aggregate volumes increased 3.4% in 2017 as compared to the prior year primarily from Austin, northeast Texas and Utah, offset by a decline in Houston, Texas. In Houston, 2017 volumes were affected by temporary disruptions related to Hurricane Harvey. Aggregate pricing of $9.97 per ton slightly increased compared to 2016.

Revenue from cement increased $30.3 million in the year ended December 30, 2017, due primarily to increased volume and improved average selling price. Our organic cement volumes increased 5.8% due to increased volumes to our existing customers. During 2017, pricing for cement improved by 3.5% to $112.42 per ton, primarily resulting from price increases implemented in early 2017.

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Revenue from ready-mix concrete increased $96.5 million for the year ended December 30, 2017, primarily from the acquisitions referred to above. Ready-mix concrete pricing of $105.37 per cubic yard ton in 2017 increased slightly as compared to 2016.

Revenue from asphalt increased $44.0 million for the year ended December 30, 2017. Our organic asphalt volumes increased 10.9% with the balance of the increased volumes coming from acquisitions. Our revenue in Austin, Texas, was higher in 2017 as an aggressive competitor impacted our paving and related services revenue in 2016. In 2017, our marketing efforts were able to improve our market share over 2016 levels in the Austin market.

Other Financial Information

On December 22, 2017, the Tax Cuts and Jobs Act of 2017 ("TCJA") was enacted. Among other things, the TCJA, beginning January 1, 2018, reduced the federal statutory rate from 35% to 21% and extended bonus depreciation provisions. In addition, the application of net operating loss carryforwards generated in 2018 and beyond will be limited, 100% asset expensing will be allowed through 2022 and begin to phase out in 2023, and the amount of interest expense we are able deduct may also be limited in future years. As a result of the enactment of TCJA and other state effective rate changes, we reduced the carrying value of our net deferred tax assets by $216.9 million to reflect the revised federal statutory rate and other state statutory rates which will be in effect at the time those deferred tax assets are expected to be realized. Further, we evaluated the realizability of our net operating loss carryforwards, and determined a valuation allowance of $1.7 million was still appropriate as of December 30, 2017. The TCJA contains many provisions which will be clarified through new regulations expected to be issued during 2018. As of December 30, 2017, we have not completed the accounting for the tax effects of the TCJA; however, we have made reasonable estimates on our existing deferred tax balances, as permitted by Staff Accounting Bulletin 118 issued by the SEC on December 22, 2017. In addition, we expect the states to consider new statutory provisions related to the enactment of the TCJA during 2018 as well. We will record the impact, if any, of any newly issued regulations, as well as clarifications of the TCJA, as a discrete adjustment to our income tax provision in 2018.

Tax Receivable Agreement Expense

Our TRA expense for the year ended December 30, 2017 was $271.0 million as compared to $14.9 million in the year ended December 31, 2016. In the third quarter of 2017, based on a release of the valuation allowance related to the TRA deferred tax assets discussed below, we further determined payment of those benefits has become probable under our TRA agreement. As a result, in the third quarter of 2017, we recorded $501.8 million of TRA expense as our estimate of the realization of our deferred tax assets subject to the TRA had become more likely than not. In the fourth quarter of 2017, after the enactment of the TCJA and other exchanges and adjustments, our estimated liability under the TRA was reduced by $216.9 million primarily due to a decrease in the federal corporate tax rate. This reduction in our TRA liability was recorded as a reduction in our TRA expense during the fourth quarter 2017.

Income Tax Benefit

Our income tax benefit was $284.0 million for the year ended December 30, 2017 as compared to income tax benefit of $5.3 million for the year ended December 31, 2016. We recorded an income tax benefit of $498.3 million in the three months ended September 30, 2017 primarily related to the release of the valuation allowance against our deferred tax assets as discussed below. In the fourth quarter of 2017, we recorded deferred income expense of $216.9 million related to the reduction in carrying value of our deferred tax assets as a result of the decreased federal corporate tax rate as enacted by the TCJA and other state effective rate changes. Our effective income tax rate was higher in 2017 as compared to 2016 primarily due to the benefit associated with the release of the valuation allowance discussed below, the accrual of the TRA expense, the statutory rate change resulting from the TCJA and depletion in excess of U.S. GAAP depletion recognized for the year ended December 30, 2017. The effective tax rate for Summit Inc. differs from the federal rate primarily due to (1) the change in valuation allowance, (2) changes in statutory tax rates, (3) deductions related to TRA expense, (4) tax depletion expense in excess of the expense recorded under U.S. GAAP, (5) the minority interest in the Summit Holdings partnership that is allocated outside of the Company and (6) various other items such as limitations on meals and entertainment, certain stock compensation and other costs.

The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible, as well as consideration of tax-planning strategies we may seek to utilize net operating loss carryforwards that are scheduled to expire in the near future. Due to our limited

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operating history as of December 31, 2016, during which we incurred only a small amount of pre-tax income over the previous three years, as well as our acquisitive business strategy, after considering both positive and negative evidence, we concluded that it was not more likely than not that we would fully realize those deferred tax assets, and therefore recorded a partial valuation allowance against those deferred tax assets as of December 31, 2016. However, the amount of cumulative income increased significantly during the year ended December 30, 2017 and we expect to generate additional income in 2018 and for the foreseeable future that will allow us to utilize the deferred tax assets. As a result of this significant positive evidence, we determined that the deferred tax assets had become more likely than not of becoming realizable and therefore released the majority of the valuation allowance in the third quarter of 2017. The Company updated the analysis as of December 30, 2017. Further, the remaining valuation allowance was adjusted for the impact of the TCJA on certain net operating loss deferred tax assets within the C corporation entities that the Company does not expect to be realized.

As of December 30, 2017 and December 31, 2016, Summit Inc. had a valuation allowance of $1.7 million and $502.8 million, respectively.

Segment Results of Operations

West Segment

($ in thousands)	2017	2016	Variance	
Net revenue	$ 899,992	$ 736,573	$ 163,419	22.2 %
Operating income	130,334	100,659	29,675	29.5 %
Operating margin percentage	14.5 %	13.7 %		
Adjusted EBITDA (1)	$ 203,590	$ 167,434	$ 36,156	21.6 %

(1) Adjusted EBITDA is a non-GAAP measure that we find helpful in monitoring the performance of our business. See the reconciliation of Adjusted EBITDA to the most directly comparable GAAP measure, net income, below.

Net revenue in the West segment increased $163.4 million for the year ended December 30, 2017, primarily due to incremental revenue from acquisitions. Net revenue growth from acquisitions in 2017 increased $131.7 million, with the balance attributable to organic operations.

The West segment's operating income improved $29.7 million and Adjusted EBITDA improved $36.2 million in 2017. The improvement in West segment operating income and Adjusted EBITDA was primarily due to improved organic volume growth in aggregates and asphalt, as well as contributions from the acquisitions mentioned above. The operating margin percentage in the West segment increased slightly in 2017 to 14.5% as compared to 13.7% in 2016, despite the impact of Hurricane Harvey, due to the same factors mentioned above. Those same factors also contributed to similar improvements in net revenue, operating income and Adjusted EBITDA in the respective year ends.

Gross revenue by product/ service was as follows:

($ in thousands)	2017	2016	Variance	
Revenue by product*:				
Aggregates	$ 191,851	$ 159,824	$ 32,027	20.0 %
Ready-mix concrete	362,042	294,961	67,081	22.7 %
Asphalt	214,561	182,739	31,822	17.4 %
Paving and related services	375,036	314,079	60,957	19.4 %
Other	(144,647)	(137,921)	(6,726)	(4.9) %
Total revenue	$ 998,843	$ 813,682	$ 185,161	22.8 %

* Revenue by product includes intercompany and intracompany sales transferred at market value. The elimination of intracompany transactions is included in Other. Revenue from the liquid asphalt terminals is included in asphalt revenue.

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The West segment's percent changes in sales volumes and pricing in 2017 from 2016 were as follows:

	Percentage Change in			
	Volume		Pricing	
Aggregates	18.3	%	1.4	%
Ready-mix concrete	20.6	%	1.8	%
Asphalt	22.8	%	(1.7)	%

Gross revenue from aggregates in the West segment increased $32.0 million in 2017, primarily due to an increase in volumes. Aggregates volume increased in 2017 mainly due acquisitions occurring in 2016, as well as organic growth in Austin, Texas and Vancouver, British Columbia, partially offset by a decrease in organic volumes in Houston resulting from the impact of Hurricane Harvey. Aggregates pricing in 2017 remained consistent with 2016.

Revenue from ready-mix concrete in the West segment increased $67.1 million in 2017, primarily as a result of acquisitions.

Revenue from asphalt in the West segment increased $31.8 million in 2017, primarily due to higher volumes partially offset by slightly lower pricing. Organic asphalt volumes increased 10.0% due to improvement in our Austin, Texas market in 2017. In 2017, asphalt pricing decreased consistent with lower input prices. Revenue for paving and related services in the West segment increased by $61.0 million in 2017 due to organic growth and acquisitions.

Prior to eliminations of intercompany transactions, the net effect of volume and pricing changes on gross revenue for the year ended December 30, 2017 was approximately $126.3 million and $4.6 million, respectively.

Our Houston operations were negatively impacted by Hurricane Harvey in the third and fourth quarters of 2017. After temporary interruptions, our operations have resumed. We expect our volumes in the Houston area to return to normal levels in the future. Our Austin business operates a liquid asphalt terminal in the Houston area which was also damaged by Hurricane Harvey. The terminal will be shut down until mid-2018 while undergoing significant repairs. We have received proceeds from claims for damaged property, plant and equipment, and are in the process of filing additional claims under our business interruption policy.

Our reporting unit based in Austin, Texas, has seen new market entrants, one of which aggressively sought market share, which negatively impacted Adjusted EBITDA in the West segment in 2016. Our efforts to improve our profitability in that area are showing positive results in 2017, as organic volume growth occurred in 2017 as compared to the prior year.

East Segment

($ in thousands)	2017	2016	Variance	
Net revenue	$ 548,604	$ 470,614	$ 77,990	16.6 %
Operating income	67,739	65,424	2,315	3.5 %
Operating margin percentage	12.3 %	13.9 %		
Adjusted EBITDA (1)	$ 139,108	$ 126,007	$ 13,101	10.4 %

(1) Adjusted EBITDA is a non-GAAP measure that we find helpful in monitoring the performance of our business. See the reconciliation of Adjusted EBITDA to the most directly comparable GAAP measure, net income, below.

Net revenue in the East segment increased $78.0 million for the year ended December 30, 2017, primarily due to acquisitions contributing $74.0 million and organic growth of $4.0 million.

Operating income increased $2.3 million and Adjusted EBITDA improved $13.1 million in 2017, due to increased pricing and acquisitions.

Operating margin percentage for the year ended December 30, 2017 decreased to 12.3% from 13.9% in the prior year, as revenue from paving and related services, which generally have lower operating margins than materials and products, accounted for about a third of our gross revenue increase, as well as the other factors mentioned above.

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Gross revenue by product/ service was as follows:

($ in thousands)	2017	2016	Variance		
Revenue by product*:					
Aggregates	$ 224,022	$ 195,793	$ 28,229	14.4	%
Ready-mix concrete	131,047	101,636	29,411	28.9	%
Asphalt	93,093	80,913	12,180	15.1	%
Paving and related services	224,342	188,379	35,963	19.1	%
Other	(42,585)	(35,427)	(7,158)	(20.2)	%
Total revenue	$ 629,919	$ 531,294	$ 98,625	18.6	%

* Revenue by product includes intercompany and intracompany sales transferred at market value. The elimination of intracompany transactions is included in Other. Revenue from the liquid asphalt terminals is included in asphalt revenue.

The East segment's percent changes in sales volumes and pricing in 2017 from 2016 were as follows:

	Percentage Change in			
	Volume		Pricing	
Aggregates	13.0	%	1.3	%
Ready-mix concrete	27.9	%	0.8	%
Asphalt	16.4	%	0.1	%

Gross revenue from aggregates in the East segment increased $28.2 million in 2017, due primarily to acquisitions. Aggregate volumes in 2017 increased 13.0%, primarily as a result of those acquisitions. Aggregates pricing increased in 2017 as a result of a shift in product mix.

Revenue from ready-mix concrete in the East segment increased $29.4 million in 2017, primarily as a result of the acquisitions mentioned above. In 2017, ready-mix volumes increased due to acquisitions, offset by an organic volumes decline of 8.0%.

Revenue from asphalt increased $12.2 million in 2017, due to an increase in asphalt volumes, offset by pricing decline, primarily in the Kentucky and Kansas markets. The $36.0 million increase in paving and related service revenue in 2017 was primarily a result of acquisitions in Kansas and Virginia.

Prior to eliminations of intercompany transactions, the net effect of volume and pricing changes on gross revenue for the year ended December 30, 2017 was approximately $66.4 million and $3.5 million, respectively.

Cement Segment

($ in thousands)	2017	2016	Variance	
Net revenue	$ 303,813	$ 281,087	$ 22,726	8.1 %
Operating income	89,360	82,521	6,839	8.3 %
Operating margin percentage	29.4 %	29.4 %		
Adjusted EBITDA (1)	$ 127,547	$ 112,991	$ 14,556	12.9 %

(1) Adjusted EBITDA is a non-GAAP measure that we find helpful in monitoring the performance of our business. See the reconciliation of Adjusted EBITDA to the most directly comparable GAAP measure, net income, below.

Net revenue in the Cement segment increased $22.7 million for the year ended December 30, 2017, primarily due to organic growth within existing operations and the acquisition of two cement terminal operations located in Port Allen and LaPlace, Louisiana, which contributed incremental net revenue of $6.4 million in 2017.

The Cement segment's operating income improved $6.8 million and Adjusted EBITDA improved $14.6 million in 2017. The increase in operating income and Adjusted EBITDA was primarily due to increased organic cement volumes and pricing. Continued production efficiencies and price improvement grew operating margins, but this improvement

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was offset by a higher cost basis on purchased cement needed to satisfy the higher demand, resulting in consistent operating margins for the year ended December 30, 2017 when compared to 2016.

Gross revenue by product was as follows:

($ in thousands)	2017	2016	Variance		
Revenue by product*:					
Cement	$ 286,360	$ 256,046	$ 30,314	11.8	%
Other	17,453	25,041	(7,588)	(30.3)	%
Total revenue	$ 303,813	$ 281,087	$ 22,726	8.1	%

* Revenue from waste processing and the elimination of intracompany transactions are included in Other.

The Cement segment's percent changes in sales volumes and pricing in 2017 from 2016 were as follows:

	Percentage Change in	
	Volume	Pricing
Cement	8.1 %	3.5 %

Revenue from cement increased $30.3 million in 2017, due primarily to increased organic cement volumes and pricing. In 2017, organic cement volumes and pricing increased 5.8% and 3.3%, respectively, with the remainder of the increase due to the acquisition of two cement terminal operations in 2016.

Fiscal Year 2016 Compared to 2015

($ in thousands)	2016	2015	Variance		
Net revenue	$ 1,488,274	$ 1,289,966	$ 198,308	15.4	%
Operating income	154,662	135,024	19,638	14.5	%
Operating margin percentage	10.4 %	10.5 %			
Adjusted EBITDA	$ 371,347	$ 287,528	$ 83,819	29.2	%

Net revenue increased $198.3 million for the year ended December 31, 2016, of which $128.2 million was from increased sales of materials, $51.0 million was from increased sales of products and $19.1 million was from increased service revenue. We had volume growth in our aggregates, cement and ready-mix concrete lines of business, driven by our 2016 and 2015 acquisitions. Excluding the cement segment, for the year ended December 31, 2016, $182.3 million of the net revenue growth was from acquisitions, partially offset by a $69.6 million reduction in organic revenue. Organic revenue growth is defined as incremental revenue that was not derived from acquisitions. For the year ended December 31, 2016, approximately $85.6 million of the revenue growth was attributable to our cement operations. In July 2015, we acquired the Davenport Assets, which were immediately integrated with our existing cement operations such that it is impracticable to bifurcate growth in the segment between organic and acquisition growth.

As a vertically-integrated company, we include intercompany sales from materials to products and from products to services when assessing the operating results of our business. We refer to revenue inclusive of intercompany sales as gross revenue. These intercompany transactions are eliminated in the consolidated financial statements. Gross revenue by line of business was as follows:

(in thousands)	2016	2015	Variance	
Revenue by product*:				
Aggregates	$ 355,617	$ 296,960	$ 58,657	19.8 %
Cement	256,046	173,845	82,201	47.3 %
Ready-mix concrete	396,597	350,554	46,043	13.1 %
Asphalt	263,652	292,193	(28,541)	(9.8) %
Paving and related services	502,458	504,459	(2,001)	(0.4) %
Other	(148,307)	(185,714)	37,407	20.1 %
Total revenue	$ 1,626,063	$ 1,432,297	$ 193,766	13.5 %

* Revenue by product includes intercompany and intracompany sales transferred at market value. The elimination of intracompany transactions is included in Other. Revenue from the liquid asphalt terminals is included in asphalt revenue.

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Gross revenue for paving and related services decreased $2.0 million for the year ended December 31, 2016. This decrease was primarily due to declines in the Austin, Texas market. The economy in Austin, Texas attracted a new aggressive entrant in 2016 who attracted a number of our employees, which has collectively resulted in a decrease in our paving and related services revenue as compared to 2015 levels.

Detail of our volumes and average selling prices by product for the years ended December 31, 2016 and January 2, 2016 were as follows:

	2016 Volume(1) (in thousands)	Pricing(2)	2015 Volume(1) (in thousands)	Pricing(2)	Percentage Change in Volume		Pricing	
Aggregates	36,092	$ 9.85	32,297	$ 9.19	11.8	%	7.2	%
Cement	2,357	108.63	1,720	101.05	37.0	%	7.5	%
Ready-mix concrete	3,823	103.74	3,406	102.92	12.2	%	0.8	%
Asphalt	4,359	54.74	4,359	57.67	—	%	(5.1)	%

(1) Volumes are shown in tons for aggregates, cement and asphalt and in cubic yards for ready-mix concrete.
(2) Pricing is shown on a per ton basis for aggregates, cement and asphalt and on a per cubic yard basis for ready-mix concrete.

Aggregates volumes were positively affected by the 2016 and 2015 acquisitions as well as strength in the Kansas and South Carolina markets. This growth was partially offset by declines in the British Columbia and Austin and Houston, Texas markets. The decline in aggregate volumes in British Columbia was the result of a large sand river project that has been completed in 2015. Sand is a lower-priced, lower-margin product as compared to hard rocks. In Austin, Texas, a new aggressive competitor contributed to the decrease in our paving and related services revenue, in addition to the upstream aggregate and asphalt products. In Houston, Texas, volumes were affected by flooding during 2016. We had strong aggregates price increases across our markets, which would have been greater absent the effect from the U.S./Canadian exchange rate. The U.S. dollar was stronger as compared to the Canadian dollar for the year ended December 31, 2016. Absent the effect of foreign currency fluctuations, aggregates pricing would have increased 7.5% for the year ended December 31, 2016.

Our cement volumes increased primarily as a result of the July 2015 acquisition of the Davenport Assets and prices increased consistent with the market.

The increase in ready-mix concrete volumes was primarily a result of the 2016 and 2015 acquisitions and pricing generally increased by mid-single digit percentages in the organic operations, but was affected by the geographic mix as ready-mix concrete producers acquired in 2015 were in lower-priced markets.

The flat asphalt volumes for the year ended December 31, 2016 from the year ended January 2, 2016 resulted from declines in the Austin, Texas, Wichita, Kansas and Kentucky markets, offset by increases from the 2016 and 2015 acquisitions. The decrease in Wichita, Kansas was primarily due to a shift in state work away from asphalt paving in that market. The decrease in Kentucky was primarily due to a decreased level of state contracts for the fiscal year. Asphalt pricing decreased primarily due to lower input prices. Prior to eliminations, the net increase from these volume and pricing changes on gross revenue for the year ended December 31, 2016 was approximately $138.4 million and $20.1 million, respectively.

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Operating income increased $20.0 million for the year ended December 31, 2016, and Adjusted EBITDA improved $83.8 million. For the year ended December 31, 2016, operating margin remained flat at 10.4% compared to 10.4% in the year ended January 2, 2016, which was attributable to the following:

Operating margin—2015	10.4	%
Gross margin(1)	3.0	%
Gain on asset disposals(2)	(1.6)	%
IPO costs(3)	2.2	%
Legacy equity modification charges(4)	(2.5)	%
Other	(1.2)	%
Operating margin—2016	10.3	%

(1) The gross margin improvement was primarily a result of improved pricing, particularly a 7.2% pricing increase in aggregates.
(2) In the year ended December 31, 2016, we recognized a net $6.8 million gain on asset disposals compared to a net $23.5 million gain in the year ended January 2, 2016. Included in the 2015 amount was a $16.6 million gain on the cement terminal and related assets in Bettendorf, Iowa, which were part of the purchase consideration paid to acquire the Davenport Assets.
(3) In the year ended December 31, 2016, we did not have any IPO related costs compared to $28.3 million in the year ended January 2, 2016.
(4) In the year ended December 31, 2016, we recognized $37.3 million of stock-based compensation charges associated with certain LP Units converted and options granted at the time of the IPO for which the performance metrics were met or waived in 2016. We did not recognize any charges in the year ended January 2, 2016.

Other Financial Information

Loss on Debt Financings

In the year ended January 2, 2016, we recognized $71.6 million of losses associated with the: (1) March 2015 amendment to the Credit Agreement; (2) April 2015 $288.2 million redemption of 10 ½% senior notes due 2020 (the “2020 Notes”); (3) August 2015 term loan refinancing, $350.0 million issuance of 2023 Notes and $183.0 million redemption of 2020 Notes; and (4) November 2015 $153.8 million redemption of 2020 Notes. The write-off of deferred financing fees and original issuance discounts and premiums and the incurrence of prepayment premiums, all associated with the redemption of the 2020 Notes, are including in the loss on debt financings.

Income Tax Benefit

The income tax benefit decreased $13.0 million for the year ended December 31, 2016, due to the tax benefit associated with the loss on debt financings that was recognized in our C corporation subsidiaries in the year ended January 2, 2016.

Segment Results of Operations

West Segment

($ in thousands)	2016	2015	Variance	
Net revenue	$ 736,573	$ 719,485	$ 17,088	2.4 %
Operating income	100,659	96,498	4,161	4.3 %
Operating margin percentage	13.7 %	13.4 %		
Adjusted EBITDA	$ 167,434	$ 150,764	$ 16,670	11.1 %

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The West segment's net revenue increased 2.4% due to 2016 and 2015 acquisitions. Incremental net revenue from acquisitions totaled $66.0 million and organic net revenue decreased $48.9 million, $36.8 million of which occurred in our Austin, Texas operations. Gross revenue by product/service was as follows:

(in thousands)	2016	2015	Variance		
Revenue by product*:					
Aggregates	$ 159,824	$ 156,873	$ 2,951	1.9	%
Ready-mix concrete	294,961	266,210	28,751	10.8	%
Asphalt	182,739	194,155	(11,416)	(5.9)	%
Paving and related services	314,079	315,573	(1,494)	(0.5)	%
Other	(137,921)	(128,308)	(9,613)	(7.5)	%
Total revenue	$ 813,682	$ 804,503	$ 9,179	1.1	%

* Revenue by product includes intercompany and intracompany sales transferred at market value. The elimination of intracompany transactions is included in Other. Revenue from the liquid asphalt terminals is included in asphalt revenue.

Gross revenue for paving and related services decreased $1.5 million for the year ended December 31, 2016. This decrease primarily occurred in the Austin, Texas operations. The West segment's percent changes in sales volumes and pricing in 2016 from 2015 were as follows:

	Percentage Change in			
	Volume		Pricing	
Aggregates	(4.2)	%	6.4	%
Ready-mix concrete	11.1	%	(0.3)	%
Asphalt	1.2	%	(4.0)	%

The decline in aggregates volumes was primarily in the British Columbia and Austin and Houston, Texas markets, which was partially offset by volume increases from the 2016 and 2015 acquisitions. Aggregates pricing improved across our markets and would have been greater, absent the effect from the U.S./Canadian exchange rate. The U.S. dollar was stronger as compared to the Canadian dollar for the year ended December 31, 2016 compared to the year ended January 2, 2016. Absent the effect of foreign currency fluctuations, aggregates pricing would have increased 7.1% for the year ended December 31, 2016.

The increase in ready-mix concrete volumes was primarily a result of the 2016 and 2015 acquisitions and pricing generally increased by mid-single digit percentages in the organic operations, but was affected by the geographic mix as ready-mix concrete producers acquired in 2015 were in lower-priced markets.

Asphalt pricing decreased consistent with lower input prices. Prior to eliminations of intercompany transactions, the net effect of volume and pricing changes on gross revenue for the year ended December 31, 2016 was approximately $18.7 million and $1.6 million, respectively.

The West segment's operating income increased $4.3 million in 2016 and Adjusted EBITDA improved $16.7 million. The improvement was driven by acquisitions, partially offset by a decline in the British Columbia and Austin and Houston, Texas operations. Operating margin for the year ended December 31, 2016 was relatively flat from 13.4% to 13.7% for the year ended January 2, 2016.

East Segment

($ in thousands)	2016	2015	Variance	
Net revenue	$ 470,614	$ 374,997	$ 95,617	25.5 %
Operating income	65,424	49,445	15,979	32.3 %
Operating margin percentage	13.9 %	13.2 %		
Adjusted EBITDA	$ 126,007	$ 92,303	$ 33,704	36.5 %

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The East segment’s net revenue increased 25.5% in 2016 due to acquisitions. Incremental net revenue from acquisitions totaled $116.3 million and organic net revenue decreased $20.7 million. Gross revenue by product/service was as follows:

(in thousands)	2016	2015	Variance		
Revenue by product*:					
Aggregates	$ 195,793	$ 140,087	$ 55,706	39.8	%
Ready-mix concrete	101,636	84,344	17,292	20.5	%
Asphalt	80,913	98,038	(17,125)	(17.5)	%
Paving and related services	188,379	188,886	(507)	(0.3)	%
Other	(35,427)	(79,045)	43,618	55.2	%
Total revenue	$ 531,294	$ 432,310	$ 98,984	22.9	%

* Revenue by product includes intercompany and intracompany sales transferred at market value. The elimination of intracompany transactions is included in Other. Revenue from the liquid asphalt terminals is included in asphalt revenue.

The East segment’s percent changes in sales volumes and pricing in 2016 from 2015 were as follows:

	Percentage Change in			
	Volume		Pricing	
Aggregates	32.5	%	5.5	%
Ready-mix concrete	15.7	%	4.1	%
Asphalt	(2.4)	%	(8.0)	%

Aggregates volumes in 2016 increased 32.5% as a result of the 2016 acquisitions in Kansas, Virginia, and the Carolinas. Aggregates pricing increased as a result of an improved market and shift in product mix. Ready-mix concrete volumes improved in Kansas and Missouri and pricing increased across the East segment’s markets. Asphalt volumes decreased in Kentucky and Wichita, Kansas, as discussed above. Asphalt pricing decreased due to lower input costs. Prior to eliminations of intercompany transactions, the net effect of volume and pricing changes on gross revenue in 2016 was approximately $51.2 million and $4.6 million, respectively.

The East segment’s operating income increased $16.0 million in 2016 and Adjusted EBITDA improved $33.7 million. Operating margin for the year ended December 31, 2016 was 13.9% and was relatively consistent with 13.2% for the year ended January 2, 2016.

Cement Segment

($ in thousands)	2016	2015	Variance	
Net revenue	$ 281,087	$ 195,484	$ 85,603	43.8 %
Operating income	82,521	64,950	17,571	27.1 %
Operating margin percentage	29.4 %	33.2 %		
Adjusted EBITDA	$ 112,991	$ 74,845	$ 38,146	51.0 %

Net revenue in the Cement segment increased $85.6 million in 2016 primarily as a result of the acquisition of the Davenport Assets in July 2015. Gross revenue by product/service was as follows:

(in thousands)	2016	2015	Variance	
Revenue by product*:				
Cement	$ 256,046	$ 173,845	$ 82,201	47.3 %
Other	25,041	21,639	3,402	15.7 %
Total revenue	$ 281,087	$ 195,484	$ 85,603	43.8 %

* Revenue from waste processing and the elimination of intracompany transactions are included in Other.

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The Cement segment's percent changes in sales volumes and pricing in 2016 from 2015 were as follows:

	Percentage Change in	
	Volume	Pricing
Cement	37.0 %	7.5 %

In 2016, cement volumes and pricing increased primarily as a result of the acquisition of the Davenport Assets. With the acquisition of the Davenport Assets, we expanded our markets from Minnesota to Louisiana, which included higher-priced markets than St. Louis and Hannibal, Missouri. Prior to eliminations of intercompany transactions, the net effect of volume and pricing changes on gross revenue in 2016 was approximately $68.4 million and $13.9 million, respectively.

The Cement segment's operating income increased $17.3 million in 2016 and Adjusted EBITDA improved $38.1 million. Operating margin for the year ended December 31, 2016 decreased from 33.0% for the year ended January 2, 2016 to 29.1%, which was attributable to the following:

Operating margin—2015	33.0 %
Gain on disposal of Bettendorf assets(1)	(8.5) %
Price improvements(2)	4.9 %
Other	(0.3) %
Operating margin—2016	29.1 %

(1) In the year ended January 2, 2016, we recognized a net $16.6 million gain on the cement terminal and related assets in Bettendorf, Iowa, which were part of the purchase consideration paid to acquire the Davenport Assets.
(2) Cement prices increased 7.5% in 2016, resulting in $13.9 million of additional revenue for the year ended December 31, 2016.

Liquidity and Capital Resources

Our primary sources of liquidity include cash on-hand, cash provided by our operations and amounts available for borrowing under our credit facilities and capital-raising activities in the debt capital markets. In addition to our current sources of liquidity, we have access to liquidity through public offerings of shares of our Class A common stock. To facilitate such offerings, in January 2017, we filed a shelf registration statement with the SEC that is effective for a term of three years and will expire in January 2020. The amount of Class A common stock to be issued pursuant to this shelf registration statement was not specified when it was filed and there is no specific limit on the amount we may issue. The specifics of any future offerings, along with the use of the proceeds thereof, will be described in detail in a prospectus supplement, or other offering materials, at the time of any offering.

As of December 30, 2017, we had $383.6 million in cash and working capital of $533.6 million as compared to cash and working capital of $143.4 million and $244.4 million, respectively, at December 31, 2016. Working capital is calculated as current assets less current liabilities. There were no restricted cash balances as of December 30, 2017 or December 31, 2016.

Our remaining borrowing capacity on our $235 million senior secured revolving credit facility as of December 30, 2017 was $218.9 million, which is net of $16.1 million of outstanding letters of credit, and is fully available to us within the terms and covenant requirements of our credit agreement.

Given the seasonality of our business, we typically experience significant fluctuations in working capital needs and balances throughout the year. Our working capital requirements generally increase during the first half of the year as we build up inventory and focus on repair and maintenance and other set-up costs for the upcoming season. Working capital levels then decrease as the construction season winds down and we enter the winter months, which is when we see significant inflows of cash from the collection of receivables.

We believe we have access to sufficient financial resources from our liquidity sources to fund our business and operations, including contractual obligations, capital expenditures and debt service obligations, for at least the next twelve months. Our growth strategy contemplates future acquisitions for which we believe we have sufficient access to capital.

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As market conditions warrant we may, from time to time, seek to purchase our outstanding debt securities or loans, including Senior Notes and borrowings under our senior secured credit facilities. Such transactions could be privately negotiated, open market transactions, tender offers or otherwise. Subject to any applicable limitations contained in the agreements governing our indebtedness, any purchases made by us may be funded by the use of cash on our balance sheet or the incurrence of new secured or unsecured debt. The amounts involved in any such purchase transactions, individually or in the aggregate, may be material. Any such purchases may equate to a substantial amount of a particular class or series of debt, which may reduce the trading liquidity of such class or series.

Our Long-Term Debt

Please refer to the notes to the consolidated financial statements found elsewhere in this report for detailed information regarding our long-term debt and senior secured revolving credit facility, scheduled maturities of long-term debt and affirmative and negative covenants. Among other things, we are required to maintain a Consolidated First Lien Net Leverage Ratio that is no greater than 4.75 to 1.00. Our first lien net leverage ratio, for purposes of this maintenance requirement, is calculated following each quarter based on information for the most recently ended four fiscal quarters for which internal financial information is available by dividing our Consolidated First Lien Net Debt as of the end of such period by our Consolidated EBITDA for such period. Consolidated EBITDA for purposes of our senior secured credit facility is calculated in accordance with our presentation of Further Adjusted EBITDA below. We define Further Adjusted EBITDA as Adjusted EBITDA plus the EBITDA contribution of certain recent acquisitions.

For the years ended December 30, 2017 and December 31, 2016, our Consolidated First Lien Net Leverage Ratio was 0.64 to 1.00 and 1.40 to 1.00, respectively, based on consolidated first lien net debt of $287.5 million and $536.9 million as of December 30, 2017 and December 31, 2016, respectively, divided by Further Adjusted EBITDA of $452.7 million and $382.4 million for the years ended December 30, 2017 and December 31, 2016, respectively. As of December 30, 2017 and December 31, 2016, we were in compliance with all debt covenants.

The following table sets forth a reconciliation of net income to Adjusted EBITDA and Further Adjusted EBITDA for the periods indicated. Adjusted EBITDA and Further Adjusted EBITDA are not U.S. GAAP measures and should not be considered in isolation, or as a substitute for our results as reported under U.S. GAAP.

($ in thousands)	2017	2016	2015
Net income	$ 125,777	$ 46,126	$ 1,484
Interest expense	108,549	97,536	84,629
Income tax benefit	(283,977)	(5,299)	(18,263)
Depreciation, depletion, and amortization	177,643	147,736	118,321

EBITDA	$ 127,992	$ 286,099	$ 186,171
Accretion	1,875	1,564	1,402
IPO/Legacy equity modification costs(a)	—	37,257	28,296
Loss on debt financings	4,815	—	71,631
Tax receivable agreement expense	271,016	14,938	—
Income from discontinued operations(b)	—	—	(2,415)
Transaction costs(c)	7,733	6,797	9,519
Management fees and expenses(d)	—	(1,379)	1,046
Non-cash compensation(e)	21,140	12,683	5,448
Other(f)	1,206	13,388	(13,570)
Adjusted EBITDA	$ 435,777	$ 371,347	$ 287,528
EBITDA for certain acquisitions(g)	16,919	11,074	20,450
Further Adjusted EBITDA	$ 452,696	$ 382,421	$ 307,978

(a) The 2016 results included $49.9 million of stock-based compensation charges in general and administrative expenses. Prior to the IPO, certain investors had equity in the company that vested only if performance objectives of either a 1.75 or 3.00 times return on the initial investment by investment funds associated with or designated by The Blackstone Group L.P. and its affiliates ("Blackstone") were met. At the IPO Date, this equity converted to LP Units and stock options. Prior to 2016, we did not recognize any expense associated with these awards as achievement of the multiples was not deemed probable. The 1.75 times return threshold was met following completion of Blackstone's secondary offering of shares of our Class A common stock on July 19, 2016 and, in

August 2016, our board of directors waived the 3.00 times return threshold. As a result, in 2016, we recognized $37.3 million of cumulative catch up expense from the IPO date through September 2016. We will continue to recognize expense on the options over the remaining 4-year vesting period. The 2015 results included $28.3 million of costs associated with Summit Inc.'s IPO.

(b) Represents certain paving operations and railroad construction and repair operations we have exited.

(c) Represents the transaction expenses associated with closed and probable acquisitions, consisting primarily of accounting, legal, valuation and financial advisory fees for the acquisitions.

(d) Represents certain fees paid and expenses reimbursed to affiliates of our former private equity sponsors.

(e) Represents non-cash equity-based compensation granted to employees.

(f) Represents the net (gain) loss recognized on assets identified for disposal. Includes non-recurring or one time income and expense items that were incurred outside normal operating activities such as integration costs, unrealized currency gains and losses and interest, tax, depreciation on unconsolidated joint ventures and fair value adjustments to contingent consideration obligations that originated with various acquisitions.

(g) Under the terms of our credit facilities, we include EBITDA from our acquisitions in each fiscal year for periods prior to acquisition. We believe this provides our lenders with a more meaningful view of our EBITDA across all periods by making the information more comparable.

At December 30, 2017 and December 31, 2016, $1.8 billion and $1.5 billion, respectively, of total debt were outstanding under our respective debt agreements. Summit LLC's senior secured credit facilities provide for term loans in an aggregate amount of $650.0 million and revolving credit commitments in an aggregate amount of $235.0 million (the "Senior Secured Credit Facilities"). Summit LLC's domestic wholly-owned subsidiary companies are named as guarantors of the Senior Notes and the Senior Secured Credit Facilities. Certain other partially-owned subsidiaries, and the wholly-owned Canadian subsidiary, Mainland, do not guarantee the Senior Notes or Senior Secured Credit Facilities. Summit LLC has pledged substantially all of its assets as collateral for the Senior Secured Credit Facilities.

On January 19, 2017, Summit LLC entered into Amendment No. 1 ("Amendment No. 1") to the Credit Agreement, which, among other things, reduced the applicable margin in respect of the $640.3 million outstanding principal amount of term loans thereunder. All other material terms and provisions remain substantially identical to the terms and provisions in place immediately prior to the effectiveness of Amendment No. 1. On November 21, 2017, Summit LLC entered into Amendment No. 2 to the Amended and Restated Credit Agreement, which, among other things, extended the maturity date from 2022 to 2024 and reduced the applicable margin in respect of the $635.4 million outstanding principal amount of term loans thereunder.

On June 1, 2017, the Issuers issued $300.0 million in aggregate principal amount of 5 $1/_8$% senior notes due June 1, 2025. The 2025 Notes were issued at par value, resulting in proceeds of $295.4 million, net of related fees and expenses. Interest on the 2025 Notes is payable semi-annually on June 1 and December 1 of each year commencing on December 1, 2017.

On March 8, 2016, the Issuers issued $250.0 million in aggregate principal amount of 2022 Notes. The 2022 Notes were issued at par and interest on the 2022 Notes is payable semi-annually in arrears on April 15 and October 15 of each year commencing on October 15, 2016. The net proceeds of the 2022 Notes were used to fund the acquisition of Boxley Materials Company, replenish cash used for the acquisition of American Materials Company and pay expenses incurred therewith.

In 2015, the Issuers issued $650.0 million aggregate principal amount of 2023 Notes due July 15, 2023 under an indenture dated July 8, 2015 – $350.0 million on July 8, 2015 and $300.0 million on November 19, 2015. The July issuance of the 2023 notes was issued at par and the November add-on was issued at a discount. Interest on the 2023 notes is payable semi-annually in arrears on January 15 and July 15 of each year commencing on January 15, 2016.

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In 2015, $625.0 million aggregate principal amount of outstanding 2020 Notes due January 31, 2020, were redeemed – $288.2 million in April 2015 using proceeds from the IPO, $183.0 million in August 2015 and $153.8 million in December 2015.

On July 17, 2015, we refinanced our term loan under the Senior Secured Credit Facilities (the “Refinancing”). The Refinancing, among other things: (i) reduced the applicable margins used to calculate interest rates for term loans under our Senior Secured Credit Facilities to 3.25% for LIBOR rate loans and 2.25% for base rate loans, subject to a LIBOR floor of 1.00% (and one 25 basis point step down upon Summit LLC achieving a certain first lien net leverage ratio); (ii) increased term loans borrowed under our term loan facility from $422.0 million to $650.0 million; and (iii) created additional flexibility under the financial maintenance covenants, which are tested quarterly, by increasing the applicable maximum Consolidated First Lien Net Leverage Ratio (as defined in the Credit Agreement).

We used the net proceeds from the 2023 Notes and the Refinancing to finance the initial $370.0 million cash to purchase the Davenport Assets, to refinance our existing senior secured term loan facility, to redeem $183.0 million aggregate principal amount of our then outstanding 2020 Notes and to pay related fees and expenses.

Cash Flows

The following table summarizes our net cash provided by and used for operating, investing and financing activities and our capital expenditures for the periods indicated:

	Summit Inc.			Summit LLC		
(in thousands)	2017	2016	2015	2017	2016	2015
Net cash provided by (used for):						
Operating activities	$ 292,183	$ 244,863	$ 98,203	$ 295,132	$ 244,877	$ 98,203
Investing activities	(552,475)	(470,652)	(584,347)	(552,475)	(470,652)	(584,347)
Financing activities	499,755	182,707	660,337	497,526	182,990	659,320

Operating Activities

During the year ended December 30, 2017, cash provided by operating activities was $292.2 million primarily as a result of:

- Net income of $125.8 million, adjusted for $81.1 million of non-cash expenses, including $193.1 million of depreciation, depletion, amortization and accretion, $21.1 million of share-based compensation and $289.2 million of change in deferred tax asset, net.

- Billed and unbilled accounts receivable increased by $5.5 million in fiscal 2017 as a result of increased revenue from our acquisitions as compared to fiscal 2016.

- Tax receivable agreement liability increased $273.2 million as noted above.

- The timing of payments associated with accounts payable and accrued expenses of cash, which is consistent with the seasonality of our business whereby we build-up inventory levels and incur repairs and maintenance costs to ready the business for increased sales volumes in the summer and fall. These costs are typically incurred in the first half of the year and paid by year-end. In addition, we made $96.3 million of interest payments in 2017.

During the year ended December 31, 2016, cash provided by operating activities was $244.9 million primarily as a result of:

- Net income of $46.1 million, adjusted for $201.9 million of non-cash expenses, including $160.6 million of depreciation, depletion, amortization and accretion and $49.9 million of share-based compensation.

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During the year ended January 2, 2016, cash provided by operating activities was $98.2 million-primarily as a result of:

- Net income of $1.5 million, adjusted for $90.5 million of non-cash expenses, including $125.0 million of depreciation, depletion, amortization and accretion and $19.9 million of share-based compensation expense, partially offset by $23.1 million of net gain on asset disposals.

- $10.5 million of proceeds from improved collections of accounts receivable (billed and unbilled).

- Approximately $18.6 million as a use of cash associated with the timing of accounts payable and accrued expense payments, including a $12.9 million decrease in interest payable as the 2015 year-end interest payment was made in fiscal 2015. We made $89.1 million of interest payments in 2015, including $56.4 million of prepayment premiums on the 2020 Notes, which were redeemed in 2015.

Investing Activities

During the year ended December 30, 2017, cash used for investing activities was $552.5 million, of which $374.9 million related to the 14 acquisitions completed in the period and $194.1 million was invested in capital expenditures, which was partially offset by $17.1 million of proceeds from asset sales.

During the year ended December 31, 2016, cash used for investing activities was $470.7 million, of which $337.0 million related to the nine acquisitions completed in the period and $153.5 million was invested in capital expenditures, which was partially offset by $16.9 million of proceeds from asset sales.

During the year ended January 2, 2016, cash used for investing activities was $584.3 million, of which $510.0 million related to the 2015 acquisitions. In addition, we invested $89.0 million in capital expenditures, partially offset by $13.1 million of proceeds from asset sales.

Financing Activities

During the year ended December 30, 2017, cash provided by financing activities was $499.8 million, which was primarily composed of $237.6 million of net proceeds from the January 2017 issuance of 10,000,000 shares of Class

A common stock and $295.4 million of proceeds from the 2025 Notes, net of related fees and expenses. We made $34.7 million of payments on acquisition related liabilities, and $16.4 million in debt payments.

During the year ended December 31, 2016, cash provided by financing activities was $182.7 million, which was primarily composed of $246.3 million of proceeds from the 2022 Notes, net of fees. We made $32.0 million of payments on acquisition related liabilities, and $5.8 million in debt issuance costs.

During the year ended January 2, 2016, cash provided by financing activities was $660.3 million, which was primarily composed of the following:

· $1,037.4 million of proceeds from Summit Inc.'s IPO and the August 2015 follow-on offering of shares of its Class A Common Stock;

· less $61.6 million of equity issuance fees;

· plus $648.1 million of proceeds from issuance of the 2023 Notes;

· plus $231.1 million of net proceeds from refinancing of our term loan under the senior secured credit facilities;

· less $35.0 million to purchase the noncontrolling interest of Continental Cement;

· less $462.8 million to purchase an aggregate 18,675,000 LP Units from certain of our pre-IPO owners;

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· less $625.0 million to redeem the outstanding 2020 notes;

· less $14.2 million of debt issuance costs;

· less $18.1 million of payments on acquisition related liabilities; and

· less $28.7 million of distributions to pre-IPO owners.

Cash Paid for Capital Expenditures

We expended approximately $194.1 million in capital expenditures for the year ended December 30, 2017 compared to $153.5 million and $89.0 million in the years ended December 31, 2016 and January 2, 2016, respectively.

We estimate that we will invest between $210.0 million and $225.0 million in capital expenditures in 2018, which we expect to fund through cash on hand, cash from operations, outside financing arrangements and available borrowings under our revolving credit facility. We expect to invest $32 million on the completion of a new aggregates plant in Vancouver and a cement terminal along the Mississippi River, which were started in 2017. We also plan to invest $7 million in a new aggregates plant in Georgia and $5 million to replace an asphalt plant in Northeast Texas.

Tax Receivable Agreement

Exchanges of LP Units for shares of Class A common stock are expected to result in increases in the tax basis of the tangible and intangible assets of Summit Holdings. These increases in tax basis may increase (for tax purposes) depreciation and amortization deductions and therefore reduce the amount of tax that Summit Inc. would otherwise be required to pay in the future. In connection with the IPO, we entered into a TRA with the holders of LP Units that provides for the payment by Summit Inc. to exchanging holders of LP Units of 85% of the benefits, if any, that Summit Inc. is deemed to realize as a result of these increases in tax basis and certain other tax benefits related to entering into the TRA, including tax benefits attributable to payments under the TRA. The increases in tax basis as a result of an exchange of LP Units for shares of Class A common stock, as well as the amount and timing of any payments under the TRA, are difficult to accurately estimate as they will vary depending upon a number of factors, including:

· the timing of exchanges—for instance, the increase in any tax deductions will vary depending on the fair market value, which may fluctuate over time, of the depreciable or amortizable assets of Summit Holdings at the time of each exchange;

- the price of shares of our Class A common stock at the time of the exchange—the increase in any tax deductions, as well as the tax basis increase in other assets, of Summit Holdings, is directly proportional to the price of shares of our Class A common stock at the time of the exchange;
- the extent to which such exchanges are taxable—if an exchange is not taxable for any reason, increased deductions will not be available;
- the amount and timing of our income—Summit Inc. is required to pay 85% of the cash tax savings as and when realized, if any. If Summit Inc. does not have taxable income, Summit Inc. is not required (absent a change of control or circumstances requiring an early termination payment) to make payments under the TRA for that taxable year because no cash tax savings will have been realized. However, any tax attributes that do not result in realized benefits in a given tax year will likely generate tax attributes that may be utilized to generate benefits in previous or future tax years. The utilization of such tax attributes will result in cash tax savings that will result in payments under the tax receivable agreement; and
- the effective tax rate – The benefit that Summit Inc. realizes is dependent on the tax rate in effect at the time taxable income is generated. For example, at the end of 2017, the TCJA was enacted into law. Among other things, the federal corporate tax rate was reduced from 35% to 21%. As a result, the value of the additional benefits generated from the exchanges was reduced, and therefore, the TRA liability recorded by Summit Inc. was also reduced.

We anticipate funding payments under the TRA from cash flows from operations, available cash and available borrowings under our Senior Secured Revolving Credit Facilities. As of December 30, 2017, we had accrued $331.9

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million as TRA liability. Other than $0.6 million which was paid in January 2018, the TRA liability is a long term liability as no additional payments are expected in the next twelve months.

In addition, the TRA provides that upon certain changes of control, Summit Inc.'s (or its successor's) obligations would be based on certain assumptions, including that Summit Inc. would have sufficient taxable income to fully utilize the deductions arising from tax basis and other tax attributes subject to the TRA. With respect to our obligations under the TRA relating to previously exchanged or acquired LP Units and certain net operating losses, we would be required to make a payment equal to the present value (at a discount rate equal to one year LIBOR plus 100 basis points) of the anticipated future tax benefits determined using assumptions (ii) through (v) of the following paragraph.

Furthermore, Summit Inc. may elect to terminate the TRA early by making an immediate payment equal to the present value of the anticipated future cash tax savings. In determining such anticipated future cash tax savings, the TRA includes several assumptions, including that (i) any LP Units that have not been exchanged are deemed exchanged for the market value of the shares of Class A common stock at the time of termination, (ii) Summit Inc. will have sufficient taxable income in each future taxable year to fully realize all potential tax savings, (iii) Summit Inc. will have sufficient taxable income to fully utilize any remaining net operating losses subject to the TRA on a straight line basis over the shorter of the statutory expiration period for such net operating losses or the five-year period after the early termination or change of control, (iv) the tax rates for future years will be those specified in the law as in effect at the time of termination and (v) certain non-amortizable assets are deemed disposed of within specified time periods. In addition, the present value of such anticipated future cash tax savings are discounted at a rate equal to LIBOR plus 100 basis points.

As a result of the change in control provisions and the early termination right, Summit Inc. could be required to make payments under the TRA that are greater than or less than the specified percentage of the actual cash tax savings that Summit Inc. realizes in respect of the tax attributes subject to the TRA (although any such overpayment would be taken into account in calculating future payments, if any, under the TRA) or that are prior to the actual realization, if any, of such future tax benefits. Also, the obligations of Summit Inc. would be automatically accelerated and be immediately due and payable in the event that Summit Inc. breaches any of its material obligations under the agreement and in certain events of bankruptcy or liquidation. In these situations, our obligations under the TRA could have a substantial negative impact on our liquidity.

Under the terms of the TRA, we can terminate the TRA at any time, which would trigger a cash payment to the pre-IPO owners. Based upon a $31.44 per share price of our Class A common stock, the closing price of our stock on December 30, 2017 and a contractually defined discount rate of 3.11%, we estimate that if we were to exercise our right to terminate the TRA, the aggregate amount required to settle the TRA would be approximately $282 million.

Contractual Obligations

The following table presents, as of December 30, 2017, our obligations and commitments to make future payments under contracts and contingent commitments (in thousands).

	Payments Due by Period						
	Total	2018	2019	2020	2021	2022	Thereafter
(in thousands)							
Short term borrowings and long-term debt, including current portion	$ 1,835,375	$ 4,765	$ 6,354	$ 7,942	$ 6,354	$ 256,354	$ 1,553,606
Capital lease obligations	39,369	20,506	7,608	5,936	1,394	596	3,329
Operating lease obligations	32,754	8,627	7,077	5,826	4,650	2,475	4,099
Interest payments (1)	613,957	99,007	96,681	106,613	100,209	89,273	122,174
Acquisition-related liabilities	86,205	14,354	42,905	12,423	7,958	1,803	6,762
Royalty payments	107,231	6,450	6,017	5,833	5,550	5,431	77,950
Defined benefit plans (2)	9,148	1,402	1,020	109	1,696	1,259	3,662
Asset retirement obligation payments	67,873	4,626	2,858	2,560	1,199	1,949	54,681
Purchase commitments (3)	25,501	17,090	2,910	3,120	2,381	—	—
Payments pursuant to tax receivable agreement (4)	331,926	587	—	—	—	—	331,339
Other	9,532	5,008	2,433	1,832	173	86	—
Total contractual obligations	$ 3,158,871	$ 182,422	$ 175,863	$ 152,194	$ 131,564	$ 359,226	$ 2,157,602

(1) Future interest payments were calculated using the applicable fixed and floating rates charged by our lenders in effect as of December 30, 2017 and may differ from actual results.

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(2) Future payments to fund our defined benefit plans are estimated based on multiple assumptions which are enumerated in Note 14 to the consolidated financial statements included elsewhere in this report.
(3) Amounts represent purchase commitments entered into in the normal course of business, primarily for fuel purchases, the terms of which are generally one year.
(4) The total amount payable under our TRA is estimated at $331.9 million as of December 30, 2017. Under the terms of the TRA, payment of amounts benefitting us is due to the pre-IPO owners within four months of the tax returns being submitted to the respective regulatory agencies when the benefits are realized. We currently are not estimating any benefits being realized through 2022. The estimated timing of TRA payments is subject to a number of factors, primarily around the timing of the generation of future taxable income in future years, which will be impacted by business activity in those periods.

Commitments and Contingencies

We are party to certain legal actions arising from the ordinary course of business activities. Accruals are recorded when the outcome is probable and can be reasonably estimated. While the ultimate results of claims and litigation cannot be predicted with certainty, management expects that the ultimate resolution of all pending or threatened claims and litigation will not have a material effect on our consolidated results of operations, financial position or liquidity. We record legal fees as incurred.

Litigation and Claims—We are obligated under an indemnification agreement entered into with the sellers of Harper Contracting, Inc., Harper Sand and Gravel, Inc., Harper Excavating, Inc., Harper Ready Mix Company, Inc. and Harper Investments, Inc. for the sellers' ownership interests in a joint venture agreement. We have the rights to any benefits under the joint venture as well as the assumption of any obligations, but do not own equity interests in the joint venture. The joint venture has incurred significant losses on a highway project in Utah, which have resulted in requests for funding from the joint venture partners and ultimately from us. Through December 30, 2017, we have funded $12.3 million. In the third quarter of 2017, we settled our remaining obligations under the indemnification agreement for $3.5 million, which was $0.8 million less than amounts previously accrued.

Environmental Remediation—Our operations are subject to and affected by federal, state, provincial and local laws and regulations relating to the environment, health and safety and other regulatory matters. These operations require environmental operating permits, which are subject to modification, renewal and revocation. We regularly monitor and review its operations, procedures and policies for compliance with these laws and regulations. Despite these compliance efforts, risk of environmental liability is inherent in the operation of our business, as it is with other companies engaged in similar businesses and there can be no assurance that environmental liabilities and noncompliance will not have a material adverse effect on our consolidated financial condition, results of operations or liquidity.

Other—We are obligated under various firm purchase commitments for certain raw materials and services that are in the ordinary course of business. Management does not expect any significant changes in the market value of these goods and services during the commitment period that would have a material adverse effect on the financial condition, results of operations, and cash flows of the Company. The terms of the purchase commitments generally approximate one year.

Off-Balance Sheet Arrangements

As of December 30, 2017, we had no material off-balance sheet arrangements.

Non-GAAP Performance Measures

We evaluate our operating performance using metrics that we refer to as “Adjusted EBITDA,” “Adjusted Cash Gross Profit” and “Adjusted Cash Gross Margin” which are not defined by U.S. GAAP and should not be considered as an alternative to earnings measures defined by U.S. GAAP. We define Adjusted EBITDA as EBITDA, adjusted to exclude accretion, loss on debt financings, loss from discontinued operations and certain non-cash and non-operating items. We define Adjusted Cash Gross Profit as operating income before general and administrative expenses, depreciation, depletion, amortization and accretion and transaction costs and Adjusted Cash Gross Margin as Adjusted Cash Gross Profit as a percentage of net revenue.

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We present Adjusted EBITDA, Adjusted Cash Gross Profit and Adjusted Cash Gross Margin for the convenience of investment professionals who use such metrics in their analyses. The investment community often uses these metrics to assess the operating performance of a company's business and to provide a consistent comparison of performance from period to period. We use these metrics, among others, to assess the operating performance of our individual segments and the consolidated company.

Non-GAAP financial measures are not standardized; therefore, it may not be possible to compare such financial measures with other companies' non-GAAP financial measures having the same or similar names. We strongly encourage investors to review our consolidated financial statements in their entirety and not rely on any single financial measure.

The tables below reconcile our net income (loss) to EBITDA and Adjusted EBITDA and present Adjusted EBITDA by segment and reconcile operating income to Adjusted Cash Gross Profit for the periods indicated:

Reconciliation of Net Income (Loss) to Adjusted EBITDA by Segment	Year ended December 30, 2017				
	West	East	Cement	Corporate	Consolidated
($ in thousands)					
Net income (loss) (1)	$ 121,390	$ 68,361	$ 92,956	$ (156,930)	$ 125,777
Interest expense (income) (1)	6,924	3,082	(3,760)	102,303	108,549
Income tax expense (benefit)	1,910	(864)	—	(285,023)	(283,977)
Depreciation, depletion and amortization	70,499	66,436	38,107	2,601	177,643
EBITDA	$ 200,723	$ 137,015	$ 127,303	$ (337,049)	$ 127,992
Accretion	815	816	244	—	1,875
Loss on debt financings	—	—	—	4,815	4,815
Tax receivable agreement expense (1)	—	—	—	271,016	271,016
Transaction costs	(76)	—	—	7,809	7,733
Non-cash compensation	—	—	—	21,140	21,140
Other	2,128	1,277	—	(2,199)	1,206
Adjusted EBITDA (1)	$ 203,590	$ 139,108	$ 127,547	$ (34,468)	$ 435,777

Reconciliation of Net Income (Loss) to Adjusted EBITDA by Segment	Year ended December 31, 2016				
	West	East	Cement	Corporate	Consolidated
($ in thousands)					
Net income (loss) (1)	$ 86,040	$ 66,661	$ 79,280	$ (185,855)	$ 46,126
Interest expense (1)	9,195	4,930	2,741	80,670	97,536
Income tax expense (benefit)	269	(2,156)	—	(3,412)	(5,299)
Depreciation, depletion and amortization	64,558	50,866	29,903	2,409	147,736
EBITDA	$ 160,062	$ 120,301	$ 111,924	$ (106,188)	$ 286,099

Accretion	787	674	103	—	1,564
IPO/ Legacy equity modification costs	—	—	—	37,257	37,257
Tax receivable agreement expense (1)	—	—	—	14,938	14,938
Transaction costs	382	25	—	6,390	6,797
Management fees and expenses	—	—	—	(1,379)	(1,379)
Non-cash compensation	—	—	—	12,683	12,683
Other	6,203	5,007	964	1,214	13,388
Adjusted EBITDA (1)	$ 167,434	$ 126,007	$ 112,991	$ (35,085)	$ 371,347

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Reconciliation of Net Income (Loss) to Adjusted EBITDA by Segment	Year ended January 2, 2016				
	West	East	Cement	Corporate	Consolidated
($ in thousands)					
Net income (loss) (1)	$ 69,282	$ 29,565	$ 48,673	$ (146,036)	$ 1,484
Interest expense (income) (1)	22,806	21,213	15,965	24,645	84,629
Income tax expense (benefit)	558	10	—	(18,831)	(18,263)
Depreciation, depletion and amortization	53,118	38,242	24,646	2,315	118,321
EBITDA	$ 145,764	$ 89,030	$ 89,284	$ (137,907)	$ 186,171
Accretion	609	681	112	—	1,402
IPO/ Legacy equity modification costs	—	—	241	28,055	28,296
Loss on debt financings	3,238	4,035	—	64,358	71,631
Income from discontinued operations	—	(2,415)	—	—	(2,415)
Transaction costs	360	—	—	9,159	9,519
Management fees and expenses	—	—	—	1,046	1,046
Non-cash compensation	—	—	16	5,432	5,448
Other	793	972	(14,808)	(527)	(13,570)
Adjusted EBITDA (1)	$ 150,764	$ 92,303	$ 74,845	$ (30,384)	$ 287,528

(1) The reconciliation of net income (loss) to Adjusted EBITDA is based on the financial results of Summit Inc. and its subsidiaries, which was $8.3 million, $16.0 million and $0.9 million less than Summit LLC and its subsidiaries in the years ended December 30, 2017, December 31, 2016 and January 2, 2016, respectively, due to interest expense associated with a deferred consideration obligation, TRA expense and income tax benefit are obligations of Summit Holdings and Summit Inc., respectively, and are thus excluded from Summit LLC's consolidated net income.

Reconciliation of Working Capital	2017	2016
($ in thousands)		
Total current assets	$ 783,601	$ 483,698
Less total current liabilities	(249,975)	(239,288)
Working capital	$ 533,626	$ 244,410

Reconciliation of Operating Income to Adjusted Cash Gross Profit	2017	2016	2015
($ in thousands)			
Operating income	$ 220,877	$ 154,662	$ 135,024
General and administrative expenses	242,670	243,512	177,769
Depreciation, depletion, amortization and accretion	179,518	149,300	119,723
Transaction costs	7,733	6,797	9,519
Adjusted Cash Gross Profit (exclusive of items shown separately)	$ 650,798	$ 554,271	$ 442,035
Adjusted Cash Gross Profit Margin (exclusive of items shown separately) (1)	37.1 %	37.2 %	34.3 %

(1) Adjusted Cash Gross Margin, is defined as Adjusted Cash Gross Profit as a percentage of net revenue.

Critical Accounting Policies

Our management's discussion and analysis of our financial condition and results of operations is based on our consolidated financial statements, which have been prepared in accordance with U.S. GAAP. The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reported period.

On an ongoing basis, management evaluates its estimates, including those related to the valuation of accounts receivable, inventories, goodwill, intangibles and other long-lived assets, pension and other postretirement obligations and asset retirement obligations. We base our estimates and judgments on historical experience and on various other factors that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

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Acquisitions—Purchase Price Allocation

We regularly review strategic long-term plans, including potential investments in value-added acquisitions of related or similar businesses, which would increase our market share and/or are related to our existing markets. When an acquisition is completed, our consolidated statement of operations includes the operating results of the acquired business starting from the date of acquisition, which is the date that control is obtained. The purchase price is determined based on the fair value of assets given to and liabilities assumed from the seller as of the date of acquisition. We allocate the purchase price to the fair values of the tangible and intangible assets acquired and liabilities assumed as valued at the date of acquisition. Goodwill is recorded for the excess of the purchase price over the net of the fair value of the identifiable assets acquired and liabilities assumed as of the acquisition date. The estimation of fair values of acquired assets and assumed liabilities is judgmental and requires various assumptions and the amounts and useful lives assigned to depreciable and amortizable assets compared to amounts assigned to goodwill, which is not amortized, can significantly affect the results of operations in the period of and periods subsequent to a business combination.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction, and therefore represents an exit price. A fair value measurement assumes the highest and best use of the asset by market participants, considering the use of the asset that is physically possible, legally permissible, and financially feasible at the measurement date. We assign the highest level of fair value available to assets acquired and liabilities assumed based on the following options:

- Level 1—Quoted prices in active markets for identical assets and liabilities.

- Level 2—Observable inputs, other than quoted prices, for similar assets or liabilities in active markets.

- Level 3—Unobservable inputs, which includes the use of valuation models.

Level 2 inputs are typically used to estimate the fair value of acquired machinery, equipment and land and assumed liabilities for asset retirement obligations, environmental remediation and compliance obligations and contingencies.

Level 3 inputs are used to estimate the fair value of acquired mineral reserves, mineral interests and separately-identifiable intangible assets.

There is a measurement period after the acquisition date during which we may adjust the amounts recognized for a business combination. Any such adjustments are based on us obtaining additional information that existed at the acquisition date regarding the assets acquired or the liabilities assumed. Measurement period adjustments are generally recorded as increases or decreases to the goodwill recognized in the transaction. The measurement period ends once we have obtained all necessary information that existed as of the acquisition date, but does not extend beyond one year from the date of acquisition. Any adjustments to assets acquired or liabilities assumed beyond the measurement period are recorded in earnings.

We paid cash of $374.9 million and $337.0 million, net of cash acquired, in business combinations and allocated this amount to assets acquired and liabilities assumed during the years ended December 30, 2017 and December 31, 2016, respectively.

Goodwill

Goodwill is tested annually for impairment and in interim periods if events occur indicating that the carrying amounts may be impaired. The evaluation involves the use of significant estimates and assumptions and considerable management judgment. Our judgments regarding the existence of impairment indicators and future cash flows are based on operational performance of our businesses, market conditions and other factors. Although there are inherent uncertainties in this assessment process, the estimates and assumptions we use, including estimates of future cash flows, volumes, market penetration and discount rates, are consistent with our internal planning. The estimated future cash flows are derived from internal operating budgets and forecasts for long-term demand and pricing in our industry and markets. If these estimates or their related assumptions change in the future, we may be required to record an impairment charge on all or a portion of our goodwill. Furthermore, we cannot predict the occurrence of future impairment-triggering events nor the affect such events might have on our reported values. Future events could cause us to conclude that impairment indicators exist and that goodwill associated with our acquired businesses are impaired. Any resulting impairment loss could have an adverse effect on our financial condition and results of operations.

The annual goodwill test is performed by first assessing qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not (more than 50%) that the estimated fair value of a reporting unit is less than its carrying amount. If, as a result of the qualitative assessment, it is determined that an impairment is more likely than not, we are then required to perform the two-step quantitative impairment test, otherwise further analysis is not required. We also may elect not to perform the qualitative assessment and, instead, proceed directly to the two-step quantitative impairment test. The ultimate outcome of the goodwill impairment review for a reporting unit should be the same whether we choose to perform the qualitative assessment or proceed directly to the two-step quantitative impairment test.

Under the two-step quantitative impairment test, step one of the evaluation of impairment involves comparing the current fair value of each reporting unit to its carrying value, including goodwill. We use a discounted cash flow (“DCF”) model to estimate the current fair value of our reporting units when testing for impairment, as management believes forecasted cash flows are the best indicator of fair value. A number of significant assumptions and estimates are involved in the application of the DCF model to forecast operating cash flows, including macroeconomic trends in the reporting unit’s geographic area impacting private construction and public infrastructure industries, the timing of work embedded in our backlog, our performance and profitability under our contracts, our success in securing future sales and the appropriate interest rate used to discount the projected cash flows. We also perform a market assessment of our enterprise value. We believe the estimates and assumptions used in the valuations are reasonable.

In conjunction with our annual review of goodwill on the first day of the fourth quarter, we performed the qualitative assessment for twelve reporting units. As a result of this analysis, we determined that it is more likely than not that the fair value of the five reporting units was greater than its carrying value. We performed Step 1 of the impairment test for the remaining seven reporting units, for which all had estimated fair values exceeding carrying values by at least 10%.

As of December 30, 2017, we determined that no events or circumstances from October 2, 2017 through December 30, 2017 indicated that a further assessment was necessary.

Revenue Recognition

We earn revenue from predominately from the sale of construction materials, products and providing paving and related services. Construction materials consist primarily of aggregates and cement. Products consist of related downstream products, including ready-mix concrete, asphalt paving mix and concrete products. Paving and related service revenue is generated primarily from the asphalt paving services that we provide. To a lesser degree, we also generate revenue from landfill operations, the receipt and disposal of waste that is converted to fuel for use in our cement plants, and underground storage space rental.

Products

We earn revenue from the sale of products, which primarily include aggregates, cement, ready-mix concrete and asphalt, but also include concrete products and plastics components, net of discounts or allowances, if any, and freight and delivery charges billed to customers. Freight and delivery charges associated with cement sales are recorded on a net basis together with freight costs within cost of sales. Revenue for product sales is recognized when evidence of an arrangement exists, the fee is fixed or determinable, title passes, which is generally when the product is shipped, and collection is reasonably assured.

Aggregates and cement products are sold point-of-sale through purchase orders. When the product is sold on account, collectability typically occurs 30-60 days after the sale. Revenue is recognized when cash is received from the customer at the point of sale or when the products are delivered or collected on site. There are no other timing implications that will create a contract asset or liability, and contract modifications are unlikely given the timing and nature of the transaction. Material sales are likely to have multiple performance obligations if the product is sold with delivery. In these instances, delivery most often occurs on the same day as the control of the product transfers to the customer. As a result, even in the case of multiple performance obligations, the performance obligations are satisfied concurrently and revenue is recognized simultaneously.

Services

We earn revenue from the provision of services, which are primarily paving and related services, but also include landfill operations, the receipt and disposal of waste that is converted to fuel for use in our cement plants, and underground storage space rental. Revenue from the receipt of waste fuels is recognized when the waste is accepted and a corresponding liability is recognized for the costs to process the waste into fuel for the manufacturing of cement or to ship the waste offsite for disposal in accordance with applicable regulations. Collectability of service contracts is due reasonably after certain milestones in the contract are performed. Milestones vary by project, but are typically calculated using monthly progress based on the percentage of completion or a customer's engineered review of progress. The majority of the time, collection occurs within 90 days of billing and cash is received within the same fiscal year as services performed. On most projects, the customer will withhold a portion of the invoice for retainage, which may last longer than a year depending on the job.

Revenue derived from paving and related services are recognized using the percentage-of-completion method of accounting. Under the percentage-of-completion method, we recognize paving and related services revenue as services are rendered. The majority of our construction service contracts are completed within one year, but may occasionally extend beyond this time frame. We estimate profit as the difference between total estimated revenue and total estimated cost of a contract and recognize that profit over the life of the contract based on input measures. We generally measure progress toward completion on long-term paving and related services contracts based on the proportion of costs incurred to date relative to total estimated costs at completion. We include revisions of estimated profits on contracts in earnings under the cumulative catch-up method, under which the effect of revisions in estimates is recognized immediately. If a revised estimate of contract profitability reveals an anticipated loss on the contract, we recognize the loss in the period it is identified.

The percentage-of-completion method of accounting involves the use of various estimating techniques to project costs at completion, and in some cases includes estimates of recoveries asserted against the customer for changes in specifications or other disputes. Contract estimates involve various assumptions and projections relative to the outcome of future events over multiple periods, including future labor productivity and availability, the nature and complexity of the work to be performed, the cost and availability of materials, the effect of delayed performance, and the availability and timing of funding from the customer. These estimates are based on our best judgment. A significant change in one or more of these estimates could affect the profitability of one or more of our contracts. We review our contract estimates regularly to assess revisions in contract values and estimated costs at completion. Inherent uncertainties in estimating costs make it at least reasonably possible that the estimates used will change within the near term and over the life of the contracts. No material adjustments to a contract were recognized between 2016 and the year ended 2018.

We recognize revenue arising from litigation and claims either as income or as an offset against a potential loss only when the amount of the claim can be estimated reliably and its realization is probable. In evaluating these criteria, we consider the contractual basis for the claim, the cause of any additional costs incurred, the reasonableness of those costs and the objective evidence available to support the claim.

The majority of contract modifications relate to the original contract and are often an extension of the original performance obligation. Predominately, modifications are not distinct from those in the original contract; therefore, they are part of a single performance obligation. Summit accounts for the modification using a cumulative catch-up adjustment. However, there are instances where goods or services in a modification are distinct from those transferred prior to the modification. In these situations, Summit accounts for the modifications as either a separate contract or prospectively depending on the facts and circumstances of the modification.

Generally, construction contracts contain mobilization costs which are categorized as costs to fulfill a contract. These costs are excluded from any measure of progress toward contract fulfillment. These costs do not result in the transfer of control of a good or service to the customer and are amortized over the life of the contract.

Costs and estimated earnings in excess of billings are composed principally of revenue recognized on contracts on the percentage of completion method for which billings had not been presented to customers because the amounts were not billable under the contract terms at the balance sheet date. In accordance with the contract terms, the unbilled receivables at the balance sheet date are expected to be billed in following periods. Billings in excess of costs and estimated earnings represent billings in excess of revenue recognized. Contract assets and liabilities are netted on a contract-by-contract basis.

Income Taxes

Summit Inc. is a corporation subject to income taxes in the United States. Certain subsidiaries, including Summit Holdings, or subsidiary groups of the Company are taxable separate from Summit Inc. The provisions for income taxes, or Summit Inc.'s proportional share of the provision, are included in the Company's consolidated financial statements.

The Company's deferred income tax assets and liabilities are computed for differences between the tax basis and financial statement amounts that will result in taxable or deductible amounts in the future. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible, as well as consideration of tax-planning strategies to determine whether we may seek to utilize any net operating loss carryforwards scheduled to expire in the near future. The computed deferred balances are based on enacted tax laws and applicable rates for the periods in which the differences are expected to affect taxable income. A valuation allowance is recognized for deferred tax assets if it is more likely than not that some portion or all of the net deferred tax assets will not be realized. In making such a determination, all available positive and negative evidence is considered, including future reversals of existing taxable temporary differences, projected future taxable income, tax-planning strategies, and results of recent operations. If the Company determines it would be able to realize its deferred tax assets for which a valuation allowance had been recorded, then an adjustment would be made to the deferred tax asset valuation allowance, which would reduce the provision for income taxes.

The Company evaluates the tax positions taken on income tax returns that remain open and positions expected to be taken on the current year tax returns to identify uncertain tax positions. Unrecognized tax benefits on uncertain tax positions are recorded on the basis of a two-step process in which (1) the Company determines whether it is more likely than not that the tax positions will be sustained on the basis of the technical merits of the position and (2) for those tax positions that meet the more-likely-than-not recognition threshold, the largest amount of tax benefit that is more than 50 percent likely to be realized is recognized. Interest and penalties related to unrecognized tax benefits are recorded in income tax benefit.

Tax Receivable Agreement

Tax Receivable Agreement— When Summit Inc. purchases LP Units for cash or LP Units are exchanged for shares of Class A common stock, this results in increases in Summit Inc.'s share of the tax basis of the tangible and intangible assets of Summit Holdings, which increases the tax depreciation and amortization deductions that otherwise would not have been available to Summit Inc. These increases in tax basis and tax depreciation and amortization deductions are expected to reduce the amount of cash taxes that we would otherwise be required to pay in the future. In connection with our IPO, we entered into a TRA with the holders of the LP Units and the pre-IPO owners that provides for the payment by Summit Inc. to exchanging holders of LP Units of 85% of the benefits, if any, that Summit Inc. actually realizes (or, under certain circumstances such as an early termination of the TRA is deemed to realize) as a result of (i) these increases in tax basis and (ii) our utilization of certain net operating losses of the pre-IPO owners and certain other tax benefits related to entering into the TRA, including tax benefits attributable to payments under the TRA. The increases in tax basis as a result of an exchange of LP Units for shares of Class A common stock, as well as the amount and timing of any payments under the TRA, are difficult to accurately estimate, as they will vary depending on a number of factors, including the timing of the exchanges, the price of our Class A common stock at the time of the exchange, the extent to which the exchanges are taxable, the amount of net operating losses, and the amount and timing of our income.

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We periodically evaluate the realizability of the deferred tax assets resulting from the exchange of LP Units for Class A common stock. Our evaluation considers all sources of taxable income; all evidence, both positive and negative, is considered to determine whether, based on the weight of that evidence, a valuation allowance is needed for some portion or all of the deferred tax assets. If the deferred tax assets are determined to be realizable, we then assess whether payment of amounts under the TRA have become probable. If so, we record a TRA liability of 85% of such deferred tax assets. In subsequent periods, we assess the realizability of all of our deferred tax assets subject to the TRA. Should we determine a deferred tax asset with a valuation allowance is realizable in a subsequent period, the related valuation allowance will be released and consideration of a corresponding TRA liability will be assessed. The realizability of deferred tax assets, including those subject to the TRA, is dependent upon the generation of future taxable income during the periods in which those deferred tax assets become deductible and consideration of prudent and feasible tax-planning strategies.

The measurement of the TRA is accounted for as a contingent liability. Therefore, once we determine that a payment to a pre-IPO owner has become probable and can be estimated, the estimate of payment is accrued.

New Accounting Pronouncements Not Yet Adopted

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2014-09, Revenue from Contracts with Customers, which prescribes a five-step model for revenue recognition that will replace most existing revenue recognition guidance in U.S. GAAP. The ASU will supersede nearly all existing revenue recognition guidance under U.S. GAAP and provides that an entity recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This update also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments, and assets recognized from costs incurred to obtain or fulfill a contract. In July 2015, the FASB postponed the effective date of the new revenue standard by one year to the first quarter of 2018. In applying these ASUs, an entity is permitted to use either the full retrospective or cumulative effect transition approach. We plan to adopt these ASU’s using the modified retrospective approach. We have evaluated the impact of adoption of these standards on our consolidated financial statements, which was not material.

In January 2017, the FASB issued ASU No. 2017-01, Clarifying the Definition of a Business, which narrows the definition of a business. This ASU provides a screen to determine whether a group of assets constitutes a business. The screen requires that when substantially all of the fair value of the gross assets acquired (or disposed of) is concentrated in a single identifiable asset or a group of similar identifiable assets, the set is not a business. This screen reduces the number of transactions that need to be further evaluated as acquisitions. If the screen is not met, this ASU (1) requires that to be considered a business, a set must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create an output and (2) removes the evaluation of whether a market participant could replace missing elements. Although outputs are not required for a set to be a business, outputs generally are a key element of a business; therefore, the FASB has developed more stringent criteria for sets without outputs. The ASU is effective for public companies for annual periods beginning after December 15, 2017. The adoption of this ASU will not have a material impact on the consolidated financial statements.

In August 2017, the FASB issued ASU No. 2017-12, Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities, allowing more financial and nonfinancial hedging strategies to be eligible for hedge accounting. The ASU is effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. The adoption of this ASU is not expected to have a material impact on the consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, Leases, which will result in lessees recognizing most leases on the balance sheet. Lessees are required to disclose more quantitative and qualitative information about their leases than current U.S. GAAP requires. The ASU is effective for public entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. We are evaluating the new requirements, but have not yet determined the impact on our consolidated financial statements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

We are exposed to certain market risks arising from transactions that are entered into in the normal course of business. Our operations are highly dependent upon the interest rate sensitive construction industry as well as the general economic environment. Consequently, these marketplaces could experience lower levels of economic activity in an environment of rising interest rates or escalating costs. Management has considered the current economic environment and its potential effect to our business. Demand for materials based products, particularly in the residential and nonresidential construction markets, could decline if companies and consumers are unable to obtain financing for construction projects or if an economic recession causes delays or cancellations to capital projects. Additionally, in preceding years, declining tax revenue, state budget deficits and unpredictable or inconsistent federal funding have negatively affected states' abilities to finance infrastructure construction projects.

Commodity and Energy Price Risk

We are subject to commodity price risk with respect to price changes in liquid asphalt and energy, including fossil fuels and electricity for aggregates, cement, ready mix concrete and asphalt paving mix production, natural gas for hot mix asphalt production and diesel fuel for distribution vehicles and production related mobile equipment. Liquid asphalt escalators in most of our public infrastructure contracts limit our exposure to price fluctuations in this commodity, and we seek to obtain escalators on private and commercial contracts. Similarly, in periods of decreasing oil prices, a portion of the cost savings will be recouped by our end customers. Changes in oil prices also could affect demand in certain of our markets, particularly in Midland/Odessa, Texas and indirectly in Houston, Texas, which collectively represented approximately 11.5% of our consolidated revenue in 2017. In addition, we enter into various firm purchase commitments, with terms generally less than one year, for certain raw materials.

For the year ended December 30, 2017, our costs associated with liquid asphalt and energy amounted to approximately $198.5 million. Accordingly, a 10% increase or decrease in the total cost of liquid asphalt and energy would have decreased or increased, respectively, our operating results for the year by approximately $19.9 million. However, this does not take into consideration liquid asphalt escalators in certain contracts or forward purchase commitments put into place before December 30, 2017.

Inflation Risk

Inflation rates in recent years have not been a significant factor in our revenue or earnings due to relatively low inflation and our ability to recover increasing costs by obtaining higher prices for our products, including sale price escalators in place for most public infrastructure sector contracts. Inflation risk varies with the level of activity in the construction industry, the number, size and strength of competitors and the availability of products to supply a local market.

Foreign Currency Risk

In 2014, we expanded our operations into Canada with the acquisition of Mainland. With this expansion, we became subject to foreign currency risk related to changes in the U.S. dollar/Canadian dollar exchange rates. A 10% adverse change in foreign currency rates from December 2017 levels would not have had a material effect on our financial condition, results of operations or liquidity.

Interest Rate Risk

As of December 30, 2017, we had $635 million in term loans outstanding which bear interest at a variable rate. As of December 30, 2017, the rate in effect was the one month LIBOR of 1.57%. Therefore, a 100 basis point increase in the interest rate at December 30, 2017 would only have increased the rate from 1.57% to 2.57%, the effect of which would have been an increase of $6.4 million on annual interest expense.

On January 19, 2017, we amended the Credit Agreement and, as a result, the floor decreased from 1.00% to 0.75%. On November 21, 2017, Summit LLC entered into Amendment No. 2 to the Amended and Restated Credit Agreement, which, among other things, extended the maturity date from 2022 to 2024 and reduced the applicable margin in respect of the $635.4 million outstanding principal amount of term loans thereunder.

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The Company has entered into interest rate derivatives on $200.0 million of its term loan borrowings to add stability to interest expense and to manage its exposure to interest rate movements. The derivative is set to expire in September 2019.

At our cement plants, we sponsored two non contributory defined benefit pension plans for certain hourly and salaried employees and one healthcare and life insurance benefits plan for certain eligible retired employees. As of January 2014, the two pension plans had been frozen to new participants and future benefit accruals and the healthcare and life insurance benefit plan has been amended to eliminate all future retiree health and life coverage for current employees. As a result of the acquisition of the Davenport Assets in 2015, the hourly defined benefit pension plan was amended to permit a new group of participants into the plan to accrue benefits in accordance with the terms of the collective bargaining agreement covering such Davenport employees. As a result of the collective bargaining unit negotiations in 2017, the hourly defined benefit pension plan was amended to stop future benefit accruals for the Davenport employees effective December 31, 2017. In addition, the company adopted one new retiree healthcare plan to provide benefits prior to Medicare eligibility for certain hourly Davenport employees. Our results of operations are affected by our net periodic benefit cost from these plans, which was $1.0 million in 2017. Assumptions that affect this expense include the discount rate and, for the pension plans only, the expected long term rate of return on assets. Therefore, we have interest rate risk associated with these factors.

The healthcare and life insurance benefit plans are exposed to changes in the cost of healthcare services. A one percentage point increase or decrease in assumed health care cost trend rates would have affected the accumulated postretirement benefit obligation by approximately $0.9 million or $(0.8) million, respectively, at December 30, 2017.

ITEM 8.FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

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Report of Independent Registered Public Accounting Firm

To the stockholders and board of directors
Summit Materials, Inc.:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Summit Materials, Inc. and subsidiaries (the "Company") as of December 30, 2017 and December 31, 2016, the related consolidated statements of operations, comprehensive loss, changes in redeemable noncontrolling interest and stockholders' equity, and cash flows for each of the fiscal years ended December 30, 2017, December 31, 2016 and January 2, 2016 and the related notes (collectively, the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 30, 2017 and December 31, 2016, and the results of its operations and its cash flows for each of the fiscal years ended December 30, 2017, December 31, 2016 and January 2, 2016, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the Company's internal control over financial reporting as of December 30, 2017, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated February 14, 2018 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ KPMG LLP

We have served as the Company's auditor since 2012.

Denver, Colorado

February 14, 2018

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SUMMIT MATERIALS, INC. AND SUBSIDIARIES

Consolidated Balance Sheets

December 30, 2017 and December 31, 2016

(In thousands, except share and per share amounts)

	2017	2016
Assets		
Current assets:		
Cash and cash equivalents	$ 383,556	$ 143,392
Accounts receivable, net	198,330	162,377
Costs and estimated earnings in excess of billings	9,512	7,450
Inventories	184,439	157,679
Other current assets	7,764	12,800
Total current assets	783,601	483,698
Property, plant and equipment	1,615,424	1,446,452
Goodwill	1,036,320	782,212
Intangible assets	16,833	17,989
Deferred tax assets	284,092	4,326
Other assets	51,063	46,789
Total assets	$ 3,787,333	$ 2,781,466
Liabilities and Stockholders’ Equity		