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

FORM 10-Q

QUARTERLY REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the Quarterly Period Ended

September 30, 2020

Commission File Number 1-12984

EAGLE MATERIALS INC.
(Exact name of registrant as specified in its charter)

Delaware (State of Incorporation)

75-2520779 (I.R.S. Employer Identification No.)

5960 Berkshire Lane, Suite 900, Dallas, Texas 75225 (Address of principal executive offices)

(214) 432-2000 (Registrant’s telephone number, including area code)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock (par value $.01 per share)	EXP	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES ☒ NO ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). YES ☒ NO ☐

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

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
Emerging growth company	☐		

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act.)

Yes ☐ No ☒

As of October 27, 2020, the number of outstanding shares of common stock was:

Class	Outstanding Shares
Common Stock, $.01 Par Value	41,817,942

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PART I. FINANCIAL INFORMATION (unaudited)

EAGLE MATERIALS INC. AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF EARNINGS (unaudited)

	For the Three Months Ended September 30, 2020	For the Three Months Ended September 30, 2019	For the Six Months Ended September 30, 2020	For the Six Months Ended September 30, 2019
	(dollars in thousands, except share and per share data)			
Revenue	$ 447,684	$ 400,569	$ 874,673	$ 755,934
Cost of Goods Sold	324,835	291,549	649,527	568,820
Gross Profit	122,849	109,020	225,146	187,114
Equity in Earnings of Unconsolidated Joint Venture	10,577	12,357	18,373	21,789
Corporate General and Administrative Expense	(11,109)	(13,458)	(28,898)	(34,712)
Gain on Sale of Businesses	—	—	51,973	—
Other Non-Operating Income (Loss)	(90)	585	(399)	723
Interest Expense, Net	(12,556)	(10,137)	(26,597)	(18,983)
Earnings from Continuing Operations before Income Taxes	109,671	98,367	239,598	155,931
Income Taxes	(19,800)	(23,303)	(52,636)	(37,534)
Earnings from Continuing Operations	89,871	75,064	186,962	118,397
Earnings (Loss) from Discontinued Operations, net of Income Taxes	6,163	(3,271)	5,278	(5,300)
Net Earnings	**$ 96,034**	**$ 71,793**	**$ 192,240**	**$ 113,097**
BASIC EARNINGS PER SHARE				
Continuing Operations	$ 2.17	$ 1.81	$ 4.51	$ 2.77
Discontinued Operations	0.15	(0.08)	0.13	(0.12)
Net Earnings	$ 2.32	$ 1.73	$ 4.64	$ 2.65
DILUTED EARNINGS PER SHARE				
Continuing Operations	$ 2.16	$ 1.80	$ 4.49	$ 2.75
Discontinued Operations	0.15	(0.08)	0.13	(0.12)
Net Earnings	$ 2.31	$ 1.72	$ 4.62	$ 2.63
AVERAGE SHARES OUTSTANDING				
Basic	41,450,013	41,572,127	41,430,511	42,714,896
Diluted	41,649,319	41,833,775	41,606,401	42,985,715
CASH DIVIDENDS PER SHARE	**$ —**	**$ 0.10**	**$ 0.10**	**$ 0.20**

See notes to unaudited consolidated financial statements.

EAGLE MATERIALS INC. AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF COMPREHENSIVE EARNINGS (unaudited)

	For the Three Months Ended September 30,		For the Six Months Ended September 30,	
	2020	2019	2020	2019
	(dollars in thousands)			
Net Earnings	$ 96,034	$ 71,793	$ 192,240	$ 113,097
Net Actuarial Change in Defined Benefit Plans:				
Amortization of net actuarial loss	34	43	67	88
Tax expense	(8)	(10)	(16)	(20)
Comprehensive Earnings	**$ 96,060**	**$ 71,826**	**$ 192,291**	**$ 113,165**

See notes to unaudited consolidated financial statements.

EAGLE MATERIALS INC. AND SUBSIDIARIES CONSOLIDATED BALANCE SHEETS (unaudited)

	September 30, 2020	March 31, 2020
	(dollars in thousands)	
ASSETS		
Current Assets -		
Cash and Cash Equivalents	$ 200,858	$ 118,648
Restricted Cash	5,000	—
Accounts and Notes Receivable, net	177,138	145,808
Inventories	227,106	272,121
Income Tax Receivable	28,671	128,413
Prepaid and Other Assets	9,634	6,135
Current Assets of Discontinued Operations	—	7,092
Total Current Assets	648,407	678,217
Property, Plant, and Equipment, net	1,706,200	1,756,417
Notes Receivable	8,287	9,139
Investment in Joint Venture	74,331	73,958
Operating Lease Right-of-Use Assets	28,139	29,483
Goodwill and Intangible Assets, net	394,524	396,463
Other Assets	11,395	10,604
Assets of Discontinued Operations	—	6,739
	$ 2,871,283	**$ 2,961,020**
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities -		
Accounts Payable	$ 80,130	$ 84,183
Accrued Liabilities	76,145	70,442
Operating Lease Liabilities	6,810	6,585
Current Liabilities of Discontinued Operations	—	8,487
Total Current Liabilities	163,085	169,697
Long-term Debt	1,252,716	1,567,315
Noncurrent Operating Lease Liabilities	37,419	40,239
Other Long-term Liabilities	41,586	33,832
Deferred Income Taxes	208,446	166,667
Liabilities of Discontinued Operations	—	15,427
Total Liabilities	1,703,252	1,993,177
Stockholders' Equity –		
Preferred Stock, Par Value $0.01; Authorized 5,000,000 Shares; None Issued	—	—
Common Stock, Par Value $0.01; Authorized 100,000,000 Shares; Issued and Outstanding 41,816,942 and 41,649,041 Shares, respectively	418	416
Capital in Excess of Par Value	18,584	10,943
Accumulated Other Comprehensive Losses	(3,276)	(3,581)
Retained Earnings	1,152,305	960,065
Total Stockholders' Equity	1,168,031	967,843
	$ 2,871,283	**$ 2,961,020**

See notes to the unaudited consolidated financial statements.

EAGLE MATERIALS INC. AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

	For the Six Months Ended September 30, 2020	2019
	(dollars in thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Earnings	$ 192,240	$ 113,097
Adjustments to Reconcile Net Earnings to Net Cash Provided by Operating Activities, Net of Effect of Non-Cash Activity -		
Depreciation, Depletion and Amortization	64,199	56,333
Deferred Income Tax Provision	41,779	7,520
Stock Compensation Expense	8,275	12,137
Gain on Sale of Subsidiaries	(61,203)	—
Equity in Earnings of Unconsolidated Joint Venture	(18,373)	(21,789)
Distributions from Joint Venture	18,000	15,000
Changes in Operating Assets and Liabilities:		
Accounts and Notes Receivable	(27,746)	(51,242)
Inventories	38,645	35,562
Accounts Payable and Accrued Liabilities	5,998	423
Other Assets	(3,179)	9,244
Income Taxes Payable (Receivable)	99,742	8,411
Net Cash Provided by Operating Activities	358,377	184,696
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to Property, Plant, and Equipment	(40,676)	(60,007)
Acquisition Spending	—	(30,872)
Proceeds from Sale of Businesses	91,022	—
Net Cash Provided by (Used in) Investing Activities	50,346	(90,879)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (Decrease) in Credit Facility	(315,000)	275,000
Dividends Paid to Stockholders	(4,163)	(8,815)
Purchase and Retirement of Common Stock	—	(313,887)
Proceeds from Stock Option Exercises	498	1,767
Payment of Debt Issuance Costs	(1,718)	—
Shares Redeemed to Settle Employee Taxes on Stock Compensation	(1,130)	(2,799)
Net Cash Used in Financing Activities	(321,513)	(48,734)
NET INCREASE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	87,210	45,083
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH AT BEGINNING OF PERIOD	118,648	8,601
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH AT END OF PERIOD	**$ 205,858**	**$ 53,684**

See notes to the unaudited consolidated financial statements.

EAGLE MATERIALS INC. AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (unaudited)

(dollars in thousands)

	Common Stock	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Losses	Total
Balance at March 31, 2019	$ 451	$ —	$ 1,212,352	$ (3,316)	$ 1,209,487
Net Earnings	—	—	41,304	—	41,304
Stock Option Exercises and Restricted Share Vesting	—	396	—	—	396
Purchase and Retirement of Common Stock	(23)	(7,748)	(190,584)	—	(198,355)
Dividends to Stockholders	—	—	(4,316)	—	(4,316)
Stock Compensation Expense	1	8,218	—	—	8,219
Shares Redeemed to Settle Employee Taxes	—	(866)	—	—	(866)
Cumulative Effect of Change in Accounting for Leases	—	—	(636)	—	(636)
Unfunded Pension Liability, net of tax	—	—	—	33	33
Balance at June 30, 2019	**$ 429**	**$ —**	**$ 1,058,120**	**$ (3,283)**	**$ 1,055,266**
Net Earnings	—	—	71,793	—	71,793
Stock Option Exercises and Restricted Share Vesting	—	1,371	—	—	1,371
Purchase and Retirement of Common Stock	(13)	(366)	(115,153)	—	(115,532)
Dividends to Stockholders	—	—	(4,163)	—	(4,163)
Stock Compensation Expense	—	3,918	—	—	3,918
Shares Redeemed to Settle Employee Taxes	—	(1,933)	—	—	(1,933)
Unfunded Pension Liability, net of tax	—	—	—	35	35
Balance at September 30, 2019	**$ 416**	**$ 2,990**	**$ 1,010,597**	**$ (3,248)**	**$ 1,010,755**

(dollars in thousands)

	Common Stock	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Losses	Total
Balance at March 31, 2020	$ 416	$ 10,943	$ 960,065	$ (3,581)	$ 967,843
Net Earnings	—	—	96,206	—	96,206
Stock Compensation Expense	2	4,758	—	—	4,760
Shares Redeemed to Settle Employee Taxes	—	(1,130)	—	—	(1,130)
Sale of Business with Unfunded Pension Liability	—	—	—	254	254
Unfunded Pension Liability, net of tax	—	—	—	25	25
Balance at June 30, 2020	**$ 418**	**$ 14,571**	**$ 1,056,271**	**$ (3,302)**	**$ 1,067,958**
Net Earnings	—	—	96,034	—	96,034
Stock Compensation Expense	—	3,515	—	—	3,515
Stock Option Exercise	—	498	—	—	498
Unfunded Pension Liability, net of tax	—	—	—	26	26
Balance at September 30, 2020	**$ 418**	**$ 18,584**	**$ 1,152,305**	**$ (3,276)**	**$ 1,168,031**

See notes to the unaudited consolidated financial statements.

(A) BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements as of and for the three- and six-month periods ended September 30, 2020 include the accounts of Eagle Materials Inc. and its majority-owned subsidiaries (collectively, the Company, us, or we) and have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. These unaudited consolidated financial statements should be read in conjunction with the audited consolidated financial statements and the notes thereto included in our Annual Report on Form 10-K filed with the Securities and Exchange Commission on May 22, 2020.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations, although we believe that the disclosures are adequate to make the information presented not misleading. In our opinion, all adjustments (consisting solely of normal recurring adjustments) necessary to present fairly the information in the following unaudited consolidated financial statements of the Company have been included. The results of operations for interim periods are not necessarily indicative of the results for the full year.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

We have been deemed an essential business with respect to the COVID-19 pandemic. While we have not yet experienced a material impact on our operations or financial position from this pandemic, there may be future effects on our business, both directly and indirectly, including with respect to customers, manufacturing operations, employees, suppliers, and the building materials and construction markets in general.

Recent Accounting Pronouncements

RECENTLY ADOPTED

In June 2016, the FASB issued ASU 2016-13, which is an update on the measurement of credit losses on financial instruments, which requires entities to use a forward-looking approach based on expected losses rather than the current model of incurred losses to estimate credit losses on certain types of financial instruments, including Accounts and Notes Receivable. The application of the forward-looking model may result in earlier recognition of allowances for losses than the current method. The adoption of this standard on April 1, 2020 did not have a material effect on our consolidated financial statements and disclosures.

PENDING ADOPTION

In December 2019, the FASB issued ASU 2019-12 which simplifies the accounting for income taxes, eliminates certain exceptions within existing income tax guidance, and clarifies certain aspects of the current guidance to promote consistency among reporting entities. The updated standard is effective for public companies for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020, with early adoption permitted. We do not expect the adoption of this standard will have a material impact to our consolidated financial statements.

(B) SUPPLEMENTAL CASH FLOW INFORMATION

Supplemental cash flow information is as follows:

	For the Six Months Ended September 30, 2020	2019
	(dollars in thousands)	
Cash Payments:		
Interest	$ 24,897	$ 18,196
Income Taxes	23,200	19,643
Operating Cash Flows used for Operating Leases	6,127	7,861
Non-Cash Financing Activities:		
Property and Equipment Purchases Included in Accrued Liabilities	$ —	$ 2,868

(C) DISCONTINUED OPERATIONS AND OTHER DISPOSITIONS

Discontinued Operations

On May 30, 2019, the Company announced it was actively pursuing alternatives for its Oil and Gas Proppants business. On September 18, 2020, we sold our Oil and Gas Proppants business (the “Proppants Business”) to Smart Sand, Inc., a Delaware corporation (the “Purchaser”), pursuant to an Equity Purchase and Sale Agreement (the “Purchase Agreement”) between the Company and the Purchaser. The sale of this business excluded certain assets, namely real property and equipment in south Texas, real property in Illinois and certain other assets. The purchase price (the “Purchase Price”) paid by the Purchaser for the acquisition of the Proppants Business was $2.0 million paid in shares of common stock of the Purchaser. The shares delivered to the Company by the Purchaser are not registered under federal or state securities laws, and must be held at least six months, and possibly longer, before they can be sold. The shares were valued at the date of sale, and at September 30, 2020, using Level 1 inputs at the quoted market price of the shares, less a discount for the required holding period. The shares are classified as Prepaid and Other Assets in our Consolidated Balance Sheet at September 30, 2020. Shares representing $0.3 million of the Purchase Price are being held in escrow as a source of recovery for any indemnification claims by the Buyer.

In connection with the execution of the Purchase Agreement, we also entered into a Loan and Security Agreement, dated September 18, 2020 (the “Loan and Security Agreement”), by and among the Company, as lender; the Purchaser, as borrower; and other parties thereto. Pursuant to the Loan and Security Agreement, the Company will loan the Purchaser up to $5.0 million for working capital and operating, maintenance, and administrative expenses of the Proppants Business during the one-year period following the closing. The Company has deposited the $5.0 million into an escrow account. Up to 50% of the amounts outstanding under the Loan and Security Agreement may be repaid by the Purchaser in shares of the Purchaser’s common stock. Borrowings under the Loan and Security Agreement will bear interest at a fixed rate of 6.00% per annum during the one-year period following the closing. Any amounts after the one-year period will bear interest at a fixed rate of 8.00% per annum and will mature on September 18, 2024. There were no outstanding borrowings at September 30, 2020. The $5.0 million in the escrow account at September 30, 2020 is classified as Restricted Cash on the Consolidated Balance Sheet.

The sale of the Oil and Gas Proppants business, which was previously disclosed as a reportable segment, was determined to meet the discontinued operations accounting criteria. The sale resulted in a gain of approximately $9.2 million, which is included in Earnings (Loss) from Discontinued Operations on the Unaudited Consolidated Statement of Earnings. Certain expenses, which were previously included in the Oil and Gas Proppants operating segment, do not qualify for classification within discontinued operations and have been reclassified from the operating segment to continuing operations. These expenses primarily relate to lease agreements not included in the sale of the Proppants Business.

The following is a summary of operating results included in Earnings (Loss) from Discontinued Operations for the three and six months ended September 30, 2020 and 2019.

	For the Three Months Ended September 30, 2020	For the Three Months Ended September 30, 2019	For the Six Months Ended September 30, 2020	For the Six Months Ended September 30, 2019
	(dollars in thousands)			
Revenue	$ 14	$ 13,957	$ 1,045	$ 29,189
Cost of Goods Sold	1,065	18,471	3,415	36,468
Gross Profit	(1,051)	(4,514)	(2,370)	(7,279)
Other Non-Operating Income	44	357	226	419
Gain on Sale of Discontinued Operations	9,230	—	9,230	—
Earnings (Loss) from Discontinued Operations	8,223	(4,157)	7,086	(6,860)
Income Tax (Expense) Benefit	(2,060)	886	(1,808)	1,560
Net Earnings (Loss) from Discontinued Operations	**$ 6,163**	**$ (3,271)**	**$ 5,278**	**$ (5,300)**

The significant components of our Consolidated Statements of Cash Flows for discontinued operations for the six months ended September 30, 2020 and 2019 are as follows:

	For the Six Months Ended September 30, 2020	For the Six Months Ended September 30, 2019
	(dollars in thousands)	
Depreciation and Amortization	$ 221	$ 7,642
Gain on Sale	(9,230)	—
Net Change in Inventory	—	1,892
Capital Expenditures	—	65

The following is a summary of assets and liabilities attributable to discontinued operations, which were included in our balance sheet at March 31, 2020:

	March 31, 2020
	(dollars in thousands)
ASSETS	
Accounts and Notes Receivable	$ 9,019
Allowance for Doubtful Accounts	(3,041)
Inventories	387
Prepaid and Other Assets	727
Total Current Assets	7,092
Property, Plant, and Equipment, net	5,692
Operating Lease Right-of-Use Assets	1,047
Total Noncurrent Assets	6,739
	$ 13,831
LIABILITIES	
Accounts Payable	$ 2,014
Accrued Liabilities	2,851
Operating Lease Liabilities	3,622
Total Current Liabilities	8,487
Noncurrent Operating Lease Liabilities	9,570
Other Long-term Liabilities	5,857
Total Noncurrent Liabilities	15,427
	$ 23,914

Other Dispositions

On April 17, 2020, we sold our Western Aggregates LLC (Western) and Mathews Readymix LLC (Mathews) businesses to Teichert, Inc. for an aggregate purchase price of approximately $93.5 million, subject to certain post-closing adjustments. This sale resulted in a gain of approximately $52.0 million. Western and Mathews were part of our Concrete and Aggregates operating segment, and their results of operations were included in our financial statements for the period from April 1, 2020 through April 17, 2020.

At the date of sale, assets and liabilities included on our balance sheet related to Western and Mathews were approximately $43.8 million and $2.3 million, respectively.

Revenue and Operating Earnings from Western and Mathews, collectively, for the three and six months ended September 30, 2020 and 2019 were as follows:

	For the Three Months Ended September 30,		For the Six Months Ended September 30,	
	2020	2019	2020	2019
	(dollars in thousands)			
Revenue	$ —	$ 9,575	$ 1,692	$ 17,376
Operating Earnings	$ —	$ 1,530	$ 142	$ 2,513

(D) ACQUISITION

Kosmos Acquisition

On March 6, 2020, we acquired the assets of Kosmos Cement Company (Kosmos), a joint venture between CEMEX S.A.B. de C.V. and Buzzi Unicem S.p.A. (the Kosmos Acquisition). The Kosmos Acquisition included (i) a cement plant located in Louisville, Kentucky, (ii) a limestone quarry located in Battletown, Kentucky, (iii) cement distribution terminals located in Indianapolis, Indiana; Cincinnati, Ohio; Pittsburgh, Pennsylvania; Charleston, West Virginia; Ceredo, West Virginia; Mt. Vernon, Indiana; and Lexington, Kentucky, and (iv) certain other properties and assets used by Kosmos in connection with the foregoing (collectively, the Kosmos Business). We assumed certain liabilities and obligations of Kosmos relating to the Kosmos Business, including contractual obligations, reclamation obligations and various other liabilities arising out of or relating to the Kosmos Business. The Kosmos Business is included in the Cement segment of our Heavy Materials sector.

Purchase Price: The purchase price of the Kosmos Acquisition was approximately $669 million. We funded the payment of the Kosmos Acquisition primarily through a Term Loan borrowing with the remainder paid using cash on hand. See Footnote (N) for a description of the loan terms.

Recording of Assets Acquired and Liabilities Assumed: The Kosmos Acquisition was accounted for using the acquisition method of accounting which requires, among other things, that assets acquired and liabilities assumed be recognized at their fair values as of the acquisition date. The Company engaged a third party to perform appraisal valuation services to support the Company's preliminary estimate of the fair value of certain assets acquired in the Kosmos Acquisition.

The preparation of the valuation of the assets acquired and liabilities assumed in the Kosmos Acquisition requires the use of significant assumptions and estimates. Critical estimates with respect to the valuation of property, plant, and equipment include, but are not limited to, replacement cost, condition, and estimated remaining useful lives of property and equipment. Critical estimates related to intangible and other assets include future expected cash flows, including projected revenues and expenses, customer attrition, and applicable discount rates. These estimates are based on assumptions that we believe to be reasonable. However, actual results may differ from these estimates.

The Company has determined preliminary fair values of the assets acquired and liabilities assumed in the Kosmos Acquisition. These values are subject to change during the measurement period as we perform additional reviews of the asset retirement obligation.

The following table summarizes the provisional allocation of the purchase price to assets acquired and liabilities assumed as of September 30, 2020:

		(dollars in thousands)
Inventories	$	28,568
Property, Plant, and Equipment		476,942
Intangible Assets		38,300
Lease Right-of-Use Assets		4,478
Lease Obligations		(4,478)
Long-term Liabilities		(4,000)
Total Net Assets		539,810
Goodwill		129,127
Total Estimated Purchase Price	**$**	**668,937**

During the quarter ended June 30, 2020, we completed the valuation of inventories, intangible assets, lease right-of-use assets, and lease obligations. These final values, which are disclosed in the above table, resulted in minor changes from the amounts disclosed in our fiscal 2020 Form 10-K.

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

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

	Weighted-Average Life		Estimated Fair Value
Permits	20	$	1,500
Customer Relationships	15		35,300
Trade Name and Technology	10		1,500
Total Intangible Assets		**$**	**38,300**

<u>Actual and pro forma impact of Kosmos Acquisition:</u> The following table presents the net sales and Operating Earnings related to the Kosmos Acquisition that has been included in our Consolidated Statement of Earnings for the three and six months ended September 30, 2020:

	For the Three Months Ended September 30, 2020 (dollars in thousands)		For the Six Months Ended September 30, 2020 (dollars in thousands)	
Revenue	$	50,018	$	97,573
Operating Earnings	$	14,410	$	24,970

Operating Earnings shown above for the three and six months ended September 30, 2020 was affected by approximately $5.4 million and $10.7 million related to depreciation and amortization, respectively. Additionally, Operating Earnings for the six months ended September 30, 2020 was affected by approximately $3.7 million, related to the recording of acquired inventory at fair value. There was no effect on the quarter ended September 30, 2020 as all of the acquired inventory was sold in the fiscal first quarter.

The unaudited pro forma results presented below include the effects of the Kosmos Acquisition as if it had been consummated as of April 1, 2019. The pro forma results include estimates for depreciation from the fair value adjustments to acquired Property and Equipment, amortization for acquired Intangible Assets, the Inventory step-up to fair value, and interest expense associated with debt used to fund the Kosmos Acquisition. To better reflect the combined operating results, approximately $5.6 million of material nonrecurring charges directly related to the Kosmos Acquisition have been excluded from pro forma Net Income.

	For the Three Months Ended September 30, 2019	For the Six Months Ended September 30, 2019
	Unaudited (dollars in thousands, except per share data)	
Revenue	$ 461,402	$ 861,168
Net Earnings from Continuing Operations	$ 71,700	$ 108,269
Earnings per share from Continuing Operations – basic	$ 1.72	$ 2.53
Earnings per share from Continuing Operations – diluted	$ 1.71	$ 2.52

The pro forma results do not include any anticipated synergies or other expected benefits of the Kosmos Acquisition. Accordingly, the unaudited pro forma results are not necessarily indicative of either future results of operations or results that might have been achieved had the Kosmos Acquisition been consummated as of April 1, 2019.

(E) REVENUE

We earn Revenue primarily from the sale of products, which include cement, concrete, aggregates, gypsum wallboard and recycled paperboard. The vast majority of Revenue from the sale of cement, concrete, aggregates, and gypsum wallboard is originated by purchase orders from our customers, who are primarily third-party contractors and suppliers. Revenue from our Recycled Paperboard segment is generated primarily through long-term supply agreements that mature between 2023 and 2025. We invoice customers upon shipment, and our collection terms range from 30-75 days. Revenue from the sale of cement, concrete, aggregates, and gypsum wallboard that is not related to long-term supply agreements is recognized upon shipment of the related products to customers, which is when title and ownership are transferred, and the customer is obligated to pay.

Revenue from sales under our long-term supply agreements is also recognized upon transfer of control to the customer, which generally occurs at the time the product is shipped from the production facility or terminal location. Our long-term supply agreements with customers define, among other commitments, the volume of product that we must provide and the volume that the customer must purchase by the end of the defined periods. Pricing structures under our agreements are generally market-based but are subject to certain contractual adjustments. Shortfall amounts, if applicable under these arrangements, are constrained and not recognized as Revenue until an agreement is reached with the customer and, therefore, are not subject to the risk of reversal.

The Company offers certain of its customers, including those with long-term supply agreements, rebates and incentives, which we treat as variable consideration. We adjust the amount of Revenue recognized for the variable consideration using the most likely amount method based on past history and projected volumes in the rebate and incentive period. Any amounts billed to customers for taxes are excluded from Revenue.

The Company has elected to treat freight and delivery charges we pay for the delivery of goods to our customers as a fulfilment activity rather than a separate performance obligation. When we arrange for a third party to deliver products to customers, fees for shipping and handling that are billed to the customer are recorded as Revenue, while costs we incur for shipping and handling are recorded as expenses and included in Cost of Goods Sold.

Other Non-Operating Income includes lease and rental income, asset sale income, non-inventoried aggregates sales income, distribution center income, and trucking income, as well as other miscellaneous revenue items and costs that have not been allocated to a business segment.

See Footnote (O) to the Unaudited Consolidated Financial Statements for disaggregation of revenue by segment.

(F) ACCOUNTS AND NOTES RECEIVABLE

Accounts and Notes Receivable have been shown net of the allowance for doubtful accounts of $8.0 million and $9.3 million (net of allowance for doubtful accounts related to discontinued operations) at September 30, 2020 and March 31, 2020, respectively. We perform ongoing credit evaluations of our customers' financial condition and generally require no collateral from our customers. The allowance for non-collection of receivables is based upon analysis of economic trends in the construction industry, detailed analysis of the expected collectability of accounts receivable that are past due, and the expected collectability of overall receivables. We have no significant credit risk concentration among our diversified customer base.

We had Notes Receivable totaling approximately $8.3 million at September 30, 2020, which is classified as long-term on the balance sheet. We lend funds to certain companies in the ordinary course of business, and the notes bear interest, on average, at 3.6%. Remaining unpaid amounts, plus accrued interest, mature in 2026. The notes are collateralized by certain assets of the borrower, namely property and equipment, and are generally payable monthly. We monitor the credit risk of each borrower by assessing the timeliness of payments, credit history, credit metrics, and our ongoing interactions with each borrower.

(G) INVENTORIES

Inventories are stated at the lower of average cost (including applicable material, labor, depreciation, and plant overhead) or net realizable value. Raw Materials and Materials-in-Progress include clinker, which is an intermediary product before it is ground into cement powder. Quantities of Raw Materials and Materials-in-Progress, Aggregates, and coal inventories, are based on measured volumes, subject to estimation based on the size and location of the inventory piles, and converted to tonnage using standard inventory density factors. Inventories consist of the following:

	September 30, 2020	March 31, 2020
	(dollars in thousands)	
Raw Materials and Materials-in-Progress	$ 84,494	$ 110,558
Finished Cement	28,866	43,538
Aggregates	3,544	8,416
Gypsum Wallboard	4,015	4,211
Paperboard	4,887	5,715
Repair Parts and Supplies	89,177	88,094
Fuel and Coal	12,123	11,589
	$ 227,106	**$ 272,121**

(H) ACCRUED EXPENSES

Accrued Expenses consist of the following:

	September 30, 2020	March 31, 2020
	(dollars in thousands)	
Payroll and Incentive Compensation	$ 22,789	$ 24,904
Benefits	15,362	12,447
Interest	3,811	4,080
Property Taxes	9,435	5,110
Power and Fuel	1,684	1,353
Legal and Professional	11,345	16,096
Sales and use Tax	1,052	1,085
Other	10,667	5,367
	$ 76,145	**$ 70,442**

(I) LEASES

We lease certain real estate, buildings, and equipment. Certain of these leases contain escalations of rent over the term of the lease, as well as options for us to extend the term of the lease at the end of the original term. These extensions range from periods of one year to twenty years. Our lease agreements do not contain material residual value guarantees or material restrictive covenants. In calculating the present value of future minimum lease payments, we use the rate implicit in the lease if it can be determined. Otherwise we use our incremental borrowing rate in effect at the commencement of the lease to determine the present value of the future minimum lease payments. Additionally, we lease certain equipment under short-term leases with initial terms of less than twelve months, which are not recorded on the balance sheet.

Lease expense for our operating and short-term leases included in continuing operations is as follows:

	For the Three Months Ended September 30,		For the Six Months Ended September 30,	
	2020	2019	2020	2019
	(dollars in thousands)			
Operating Lease Cost	$ 1,767	$ 2,098	$ 3,563	$ 4,008
Short-term Lease Cost	857	460	1,607	919
Total Lease Cost	**$ 2,624**	**$ 2,558**	**$ 5,170**	**$ 4,927**

The Right-of-Use Assets and Lease Liabilities are reflected on our Balance Sheet as follows:

	September 30, 2020	March 31, 2020
	(dollars in thousands)	
Operating Leases:		
Operating Lease Right-of-Use Assets	$ 28,139	$ 29,483
Current Operating Lease Liabilities	$ 6,810	$ 6,585
Noncurrent Operating Lease Liabilities	37,419	40,239
Total Operating Lease Liabilities	**$ 44,229**	**$ 46,824**

Future payments for operating leases are as follows (dollars in thousands):

Fiscal Year		Amount
2021 (remaining six months)	$	4,239
2022		7,556
2023		6,969
2024		6,007
2025		5,651
Thereafter		24,585
Total Lease Payments	$	55,007
Less: Imputed Interest		(10,778)
Present Value of Lease Liabilities	$	44,229

Weighted-Average Remaining Lease Term (in years)	**9.1**
Weighted-Average Discount Rate	**3.78%**

(J) SHARE-BASED EMPLOYEE COMPENSATION

On August 7, 2013, our stockholders approved the Eagle Materials Inc. Amended and Restated Incentive Plan (the Plan), which increased the shares we are authorized to issue as awards by 3,000,000 (1,500,000 of which may be stock awards). Under the terms of the Plan, we can issue equity awards, including stock options, restricted stock units (RSUs), restricted stock, and stock appreciation rights to employees of the Company and members of the Board of Directors. Awards that were already outstanding prior to the approval of the Plan on August 7, 2013 remained outstanding. The Compensation Committee of our Board of Directors specifies the terms for grants of equity awards under the Plan.

Long-Term Compensation Plans

OPTIONS

In May 2020, the Compensation Committee of the Board of Directors approved the granting to certain officers and key employees an aggregate of 96,476 performance vesting stock options that will be earned only if certain performance conditions are satisfied (the Fiscal 2021 Employee Performance Stock Option Grant). The performance criteria for the Fiscal 2021 Employee Performance Stock Option Grant is based upon the achievement of certain levels of return on equity (as defined in the option agreements), ranging from 10.0% to 20.0%, for the fiscal year ending March 31, 2021. All stock options will be earned if the return on equity is 20.0% or greater, and the percentage of shares earned will be reduced proportionately to approximately 66.7% if the return on equity is 10.0%. If the Company does not achieve a return on equity of at least 10.0%, all granted stock options will be forfeited. Following any such reduction, restrictions on the earned stock options will lapse and the earned options will vest ratably over four years, with the initial fourth vesting promptly following the determination date, and the remaining options vesting on March 31, 2022 through 2024. The stock options have a term of ten years from the date of grant. The Compensation Committee also approved the granting of 80,396 time-vesting stock options to the same officers and key employees, which vest ratably over four years (the Fiscal 2021 Employee Time-Vesting Stock Option Grant).

The weighted-average assumptions used in the Black-Scholes model to value the option awards in fiscal 2021 are as follows:

	2020
Dividend Yield	—
Expected Volatility	37.9%
Risk Free Interest Rate	0.5%
Expected Life	6.0 years

Stock option expense for all outstanding stock option awards totaled approximately $1.1 million and $2.8 million for the three and six months ended September 30, 2020, respectively, and $1.2 million and $2.3 million for the three and six months ended September 30, 2019, respectively. At September 30, 2020, there was approximately $8.9 million of unrecognized compensation cost related to outstanding stock options, which is expected to be recognized over a weighted-average period of 2.6 years.

The following table represents stock option activity for the six months ended September 30, 2020:

	Number of Shares	Weighted-Average Exercise Price
Outstanding Options at March 31, 2020	1,160,091	$ 80.36
Granted	178,946	$ 60.20
Exercised	(41,519)	$ 81.90
Cancelled	(12,094)	$ 91.58
Outstanding Options at September 30, 2020	**1,285,424**	$ 79.17
Options Exercisable at September 30, 2020	**873,164**	
Weighted-Average Fair Value of Options Granted During the Year	$ 22.04	

The following table summarizes information about stock options outstanding at September 30, 2020:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number of Shares Outstanding	Weighted-Average Remaining Contractual Life (in years)	Weighted-Average Exercise Price	Number of Shares Outstanding	Weighted-Average Exercise Price
$23.17 - $29.84	39,165	0.84	$ 23.19	39,165	$ 23.19
$33.43 - $37.34	42,956	1.70	$ 34.14	42,956	$ 34.14
$53.22 - $77.67	446,709	6.72	$ 67.55	255,357	$ 72.53
$79.73 - $106.24	756,594	6.19	$ 91.49	535,686	$ 89.34
	1,285,424	**6.06**	**$ 79.17**	**873,164**	**$ 78.74**

At September 30, 2020, the aggregate intrinsic value for both of the outstanding and exercisable options was approximately $14.3 million and $9.5 million, respectively. The total intrinsic value of options exercised during the six months ended September 30, 2020 was approximately $2.3 million.

RESTRICTED STOCK

In May 2020, the Compensation Committee approved the granting to certain officers and key employees an aggregate of 82,722 shares of performance vesting restricted stock that will be earned if certain performance conditions are satisfied (the Fiscal 2021 Employee Restricted Stock Performance Award). The performance criteria for the Fiscal 2021 Employee Restricted Stock Performance Award is based upon the achievement of certain levels of return on equity (as defined in the award agreement), ranging from 10.0% to 20.0%, for the fiscal year ending March 31, 2021. All restricted shares will be earned if the return on equity is 20.0% or greater, and the percentage of shares earned will be reduced proportionately to approximately 66.7% if the return on equity is 10.0%. If the Company does not achieve a return on equity of at least 10.0%, all awards will be forfeited. Following any such reduction, restrictions on the earned shares will lapse ratably over four years, with the initial fourth lapsing promptly following the determination date, and the remaining restrictions lapsing on March 31, 2022 through 2024. The Compensation Committee also approved the granting of 68,936 shares of time-vesting restricted stock to the same officers and key employees, which vest ratably over four years (the Fiscal 2021 Employee Restricted Stock Time-Vesting Award). The Fiscal 2020 Employee Restricted Stock Performance Award and the Fiscal 2021 Employee Restricted Stock Time-Vesting Award were valued at the closing price of the stock on the date of grant and are being expensed over a four-year period.

In August 2020, we granted 26,064 shares of restricted stock to members of the Board of Directors (the Board of Directors Fiscal 2021 Restricted Stock Award). Restrictions on these shares will lapse six months after the date of grant. The Board of Directors Fiscal 2021 Restricted Stock Award was valued at the closing price of the stock at the date of the grant and is being expensed over a six-month period.

The fair value of restricted stock is based on the stock price at the date of grant. The following table summarizes the activity for nonvested restricted shares during the six months ended September 30, 2020:

	Number of Shares	Weighted-Average Grant Date Fair Value
Nonvested Restricted Stock March 31, 2020	233,120	$ 75.35
Granted	178,373	$ 63.63
Vested	(49,727)	$ 66.22
Forfeited	(6,127)	$ 91.58
Nonvested Restricted Stock at September 30, 2020	**355,639**	**$ 68.21**

During the six months ended September 30, 2020, the weighted-average grant date fair value of restricted shares awarded was $63.63.

Expense related to restricted shares was approximately $2.4 million and $5.4 million for the three and six months ended September 30, 2020, respectively, and $2.7 million and $9.8 million for the three and six months ended September 30, 2019, respectively. At September 30, 2020, there was approximately $17.5 million of unearned compensation from restricted stock, which will be recognized over a weighted-average period of 2.4 years.

The number of shares available for future grants of stock options, restricted stock units, stock appreciation rights, and restricted stock under the Plan was 3,455,865 at September 30, 2020.

(K) COMPUTATION OF EARNINGS PER SHARE

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

	For the Three Months Ended September 30,		For the Six Months Ended September 30,	
	2020	2019	2020	2019
Weighted-Average Shares of Common Stock Outstanding	41,450,013	41,572,127	41,430,511	42,714,896
Effect of Dilutive Shares:				
Assumed Exercise of Outstanding Dilutive Options	414,338	649,394	272,513	700,024
Less Shares Repurchased from Proceeds of Assumed Exercised Options	(320,410)	(509,571)	(191,050)	(550,609)
Restricted Stock Units	105,378	121,825	94,427	121,404
Weighted-Average Common Stock and Dilutive Securities Outstanding	**41,649,319**	**41,833,775**	**41,606,401**	**42,985,715**
Shares Excluded Due to Anti-dilution Effects	795,382	448,354	929,990	388,058

(L) PENSION AND EMPLOYEE BENEFIT PLANS

We sponsor several defined benefit pension plans and defined contribution plans, which together cover substantially all our employees. Benefits paid under the defined benefit plans covering certain hourly employees are based on years of service and the employee's qualifying compensation over the last few years of employment.

The following table shows the components of net periodic (benefit) cost for our plans:

	For the Three Months Ended September 30, 2020	For the Three Months Ended September 30, 2019	For the Six Months Ended September 30, 2020	For the Six Months Ended September 30, 2019
	(dollars in thousands)			
Service Cost - Benefits Earned During the Period	$ —	$ 85	$ —	$ 170
Interest Cost of Projected Benefit Obligation	304	338	608	675
Expected Return on Plan Assets	(355)	(426)	(710)	(853)
Recognized Net Actuarial Loss	34	43	67	88
Net Periodic Pension (Benefit) Cost	**$ (17)**	**$ 40**	**$ (35)**	**$ 80**

(M) INCOME TAXES

Income Taxes for the interim periods presented have been included in the accompanying financial statements on the basis of an estimated annual effective tax rate. In addition to the amount of tax resulting from applying the estimated annual effective tax rate to pre-tax income, we will include, when appropriate, certain items treated as discrete events to arrive at an estimated overall tax amount. The effective tax rate for the six months ended September 30, 2020 was approximately 22%, which was lower than the tax rate of 24% for the six months ended September 30, 2019. The effective tax rate is higher than the U.S. Statutory rate of 21% primarily due to state income taxes, partially offset by a benefit recognized related to the reversal of all of our uncertain tax position. The reversal of all of our uncertain tax position was the result of new regulations issued by the U.S. Department of Treasury relating to the interest limitation under IRC section 163(j).

(N) LONG-TERM DEBT

Long-term Debt consists of the following:

	September 30, 2020	March 31, 2020
	(dollars in thousands)	
Revolving Credit Facility	$ 245,000	$ 560,000
4.500% Senior Unsecured Notes Due 2026	350,000	350,000
Term Loan	665,000	665,000
Total Debt	1,260,000	1,575,000
Less: Debt Origination Costs	(7,284)	(7,685)
Long-term Debt	**$ 1,252,716**	**$ 1,567,315**

Credit Facility

We have a revolving credit facility (the Revolving Credit Facility) that terminates on August 2, 2022. The borrowing capacity under the Revolving Credit Facility is $750.0 million until August 2, 2021, after which the aggregate borrowing capacity under the Revolving Credit Facility will be reduced to $665.0 million. The Revolving Credit Facility also includes a swingline loan sublimit of $25.0 million.

Borrowings under the Revolving Credit Facility are guaranteed by all of the Company's material subsidiaries. The debt under the Revolving Credit Facility is not rated by ratings agencies. At the Company's option, principal amounts outstanding under the Revolving Credit Facility bear interest at a variable rate equal to either (i) the Adjusted LIBO Rate (as defined in the Revolving Credit Facility) plus an agreed spread (ranging from 125 to 200 basis points for loans scheduled to mature in 2021 and from 150 to 250 basis points for loans scheduled to mature in 2022), which is established quarterly based on the Company's then Leverage Ratio (as defined in the Revolving Credit Facility); or (ii) an Alternate Base Rate (as defined in the Revolving Credit Facility), which is the highest of (a) the Prime Rate (as defined in the Revolving Credit Facility), (b) the NYFRB (as defined in the Revolving Credit Facility) plus ½ of 1%, and (c) the Adjusted LIBO Rate for a one-month interest period on such day, plus 1.0%, in each case plus an agreed upon spread (ranging from 25 to 100 basis points for loans scheduled to mature in 2021 and from 50 to 150 basis points for loans scheduled to mature in 2022) which is established quarterly based on the Company's then Leverage Ratio. In the case of loans bearing interest at a rate based on the Alternate Base Rate, interest payments are payable quarterly. In the case of loans bearing interest at a rate based on the Adjusted LIBO Rate, interest is payable at the end of the relevant Interest Period (as defined in the Revolving Credit Facility) for such borrowing unless such Interest Period is for more than three months duration, in which case such interest is payable at intervals of three months duration after the first day of such Interest Period, which can be up to six months at the option of the Company. The Company is also required to pay a commitment fee on unused available borrowings under the Revolving Credit Facility (ranging from 15 to 30 basis points for loans scheduled to mature in 2021 and from 20 to 40 basis points for loans scheduled to mature in 2022) which is established quarterly based on the Company's then Leverage Ratio. The Revolving Credit Facility contains customary covenants that restrict the Company’s and its Restricted Subsidiaries’ ability to incur additional debt; encumber assets; merge with or transfer or sell assets to other persons; make or enter into certain investments, loans, or guaranties; enter into certain swap agreements; enter into affiliate transactions or restrictive transactions; make restricted payments; prepay subordinated indebtedness; and enter into sale and leaseback arrangements. The Revolving Credit Facility also requires the Company to maintain at the end of each fiscal quarter a Leverage Ratio of 4.50:1.00 or less and an Interest Coverage Ratio (as defined in the Revolving Credit Facility) equal to or greater than 2.50 to 1.00.

We were in compliance with all financial ratios and tests at September 30, 2020. We had $245.0 million of borrowings outstanding under the Revolving Credit Facility at September 30, 2020. We had $500.0 million of available borrowings under the Revolving Credit Facility, net of the outstanding letters of credit, at September 30, 2020, all of which was available for future borrowings based on our current Leverage Ratio.

The Revolving Credit Facility has a $40.0 million letter of credit facility. The Company pays each lender a participation fee with respect to such lender’s participations in letters of credit, which fee accrues at the same Applicable Rate (as defined in the Revolving Credit Facility) used to determine the interest rate applicable to Eurodollar Revolving Loans (as defined in the Revolving Credit Facility) plus a one-time letter of credit fee to the issuing bank of such letters of credit in an amount equal to 0.125% of the initial stated amount. At September 30, 2020, we had $5.0 million of outstanding letters of credit. We previously provided an irrevocable stand-by letter of credit for any borrowings made by our Joint Venture under its credit facility; however, this credit facility was terminated and the letter of credit cancelled in July 2020.

Term Loan

We have a term loan credit agreement (the Term Loan Agreement) establishing a $665.0 million term loan facility which we used to pay a portion of the purchase price for the Kosmos Acquisition and fees and expenses incurred in connection with the Kosmos Acquisition in March 2020, which matures on August 2, 2022.

Borrowings under the Term Loan Agreement bear interest, at our option, at a variable rate equal to either (i) the Alternate Base Rate (as defined in the Term Loan Agreement and consistent with the Revolving Credit Facility), plus an agreed spread (ranging from 50 to 150 basis points), or (ii) the Adjusted LIBO Rate (as defined in the Term Loan Agreement) plus an agreed spread (ranging from 150 to 250 basis points), which is established quarterly based on the Company's then Leverage Ratio (as defined in the Term Loan Agreement and consistent with the Revolving Credit Facility). The Company must also maintain a Leverage Ratio and Interest Coverage Ratio consistent with the Revolving Credit Facility.

4.500% Senior Unsecured Notes Due 2026

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

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

The Senior Unsecured Notes contain covenants that limit our ability and/or our guarantor subsidiaries' ability to create or permit to exist certain liens; enter into sale and leaseback transactions; and consolidate, merge, or transfer all or substantially all of our assets. The Company’s Senior Unsecured Notes are fully, unconditionally, jointly, and severally guaranteed by each of our subsidiaries that are guarantors under the Revolving Credit Facility and Term Loan Agreement.

Other Information

We lease one of our cement plants from the city of Sugar Creek, Missouri. The city of Sugar Creek issued industrial revenue bonds to partly finance improvements to the cement plant. The lease payments due to the city of Sugar Creek under the cement plant lease, which was entered into upon the sale of the industrial revenue bonds, are equal in amount to the payments required to be made by the city of Sugar Creek to the holders of the industrial revenue bonds. Because we hold all outstanding industrial revenue bonds, no debt is reflected on our financial statements in connection with our lease of the cement plant. Upon expiration of the lease December 2020, we will exercise our option to purchase the cement plant for a nominal amount.

(O) SEGMENT INFORMATION

Operating segments are defined as components of an enterprise that engage in business activities that earn revenue, incur expenses, and prepare separate financial information that is evaluated regularly by our chief operating decision maker in order to allocate resources and assess performance. On September 18, 2020, we sold our Oil and Gas Proppants business, which had been reported as an operating segment. The Oil and Gas Proppants business was determined to meet the discontinued operations accounting criteria; therefore, this segment is no longer separately reported in our reportable segment footnote for any of the periods presented. Certain expenses of the Oil and Gas Proppants business that related to assets not included in the sale, namely real property and equipment in south Texas, real property in Illinois, and certain other assets, are included in Other when reconciling segment operating earnings to consolidated operating earnings. See Footnote (C) for more information about the sale of the Oil and Gas Proppants business.

We are a leading supplier of heavy construction materials and light building materials in the United States. Our primary products are commodities that are essential in commercial and residential construction; public construction projects; and projects to build, expand, and repair roads and highways. Demand for our products is generally cyclical and seasonal, depending on economic and geographic conditions. We distribute our products across many United States markets, which provides us with regional economic diversification.

Our remaining businesses are organized into two sectors within which there are four reportable business segments. The Heavy Materials sector includes the Cement and Concrete and Aggregates segments. The Light Materials sector includes the Gypsum Wallboard and Recycled Paperboard segments.

Our operations are conducted in the U.S. and include the mining of limestone for the manufacture, production, distribution, and sale of portland cement (a basic construction material which is the essential binding ingredient in concrete); the grinding and sale of slag; the mining of gypsum for the manufacture and sale of gypsum wallboard; the manufacture and sale of recycled paperboard to the gypsum wallboard industry and other paperboard converters; the sale of readymix concrete; and the mining and sale of aggregates (crushed stone, sand, and gravel).

We operate eight modern cement plants (one of which is operated through a joint venture located in Buda, Texas), one slag grinding facility, and 29 cement distribution terminals. Our cement companies focus on the U.S. heartland and operate as an integrated network selling product primarily in Colorado, Illinois, Indiana, Iowa, Kentucky, Missouri, Nebraska, Nevada, Ohio, Oklahoma, and Texas. We operate 20 readymix concrete batch plants and three aggregates processing plants in markets that are complementary to our cement network. On April 17, 2020 we sold our Concrete and Aggregates companies in northern California. See Footnote (C) for more information about the sale.

We operate five gypsum wallboard plants and a recycled paperboard mill. We distribute gypsum wallboard and recycled paperboard throughout the continental U.S., with the exception of the Northeast.

We account for intersegment sales at market prices. For segment reporting purposes only, we proportionately consolidate our 50% share of the Joint Venture Revenue and Operating Earnings, consistent with the way management reports the segments within the Company for making operating decisions and assessing performance.

The following table sets forth certain financial information relating to our operations by segment. We do not allocate interest or taxes at the segment level; these costs are disclosed at the consolidated company level.

	For the Three Months Ended September 30,		For the Six Months Ended September 30,	
	2020	2019	2020	2019
	(dollars in thousands)			
Revenue -				
Cement	$ 278,062	$ 227,013	$ 539,473	$ 422,326
Concrete and Aggregates	46,300	55,971	90,490	95,749
Gypsum Wallboard	131,210	128,660	261,360	255,384
Paperboard	46,071	41,847	82,815	84,547
	501,643	453,491	974,138	858,006
Less: Intersegment Revenue	(26,766)	(23,034)	(46,972)	(44,679)
Less: Joint Venture Revenue	(27,193)	(29,888)	(52,493)	(57,393)
	$ 447,684	**$ 400,569**	**$ 874,673**	**$ 755,934**

	For the Three Months Ended September 30,		For the Six Months Ended September 30,	
	2020	2019	2020	2019
	(dollars in thousands)			
Intersegment Revenue -				
Cement	$ 6,267	$ 6,703	$ 12,298	$ 10,956
Concrete and Aggregates	—	407	106	784
Paperboard	20,499	15,924	34,568	32,939
	$ 26,766	**$ 23,034**	**$ 46,972**	**$ 44,679**
Cement Sales Volume (M tons) -				
Wholly Owned	1,947	1,529	3,813	2,847
Joint Venture	233	249	452	481
	2,180	**1,778**	**4,265**	**3,328**

	For the Three Months Ended September 30, 2020	2019	For the Six Months Ended September 30, 2020	2019
	(dollars in thousands)		(dollars in thousands)	
Operating Earnings -				
Cement	$ 79,913	$ 66,526	$ 140,368	$ 102,647
Concrete and Aggregates	5,255	7,255	10,673	11,689
Gypsum Wallboard	37,606	38,456	78,931	76,388
Paperboard	10,652	10,095	13,547	20,039
Other	—	(955)	—	(1,860)
Sub-Total	133,426	121,377	243,519	208,903
Corporate General and Administrative Expense	(11,109)	(13,458)	(28,898)	(34,712)
Gain on Sale of Businesses	—	—	51,973	—
Other Non-Operating Income (Loss)	(90)	585	(399)	723
Earnings Before Interest and Income Taxes	122,227	108,504	266,195	174,914
Interest Expense, net	(12,556)	(10,137)	(26,597)	(18,983)
Earnings from Continuing Operations Before Income Taxes	**$ 109,671**	**$ 98,367**	**$ 239,598**	**$ 155,931**
Cement Operating Earnings -				
Wholly Owned	$ 69,336	$ 54,169	$ 121,995	$ 80,858
Joint Venture	10,577	12,357	18,373	21,789
	$ 79,913	**$ 66,526**	**$ 140,368**	**$ 102,647**
Capital Expenditures -				
Cement	$ 7,909	$ 8,209	$ 18,257	$ 18,746
Concrete and Aggregates	41	5,496	1,302	6,091
Gypsum Wallboard	4,070	6,443	10,582	8,374
Paperboard	2,665	17,239	10,535	29,599
	$ 14,685	**$ 37,387**	**$ 40,676**	**$ 62,810**
Depreciation, Depletion, and Amortization -				
Cement	$ 19,258	$ 13,868	$ 38,501	$ 28,086
Concrete and Aggregates	2,698	2,754	5,419	4,945
Gypsum Wallboard	5,661	5,147	10,861	10,099
Paperboard	3,344	2,203	6,696	4,366
Corporate and Other	1,201	598	2,501	1,195
	$ 32,162	**$ 24,570**	**$ 63,978**	**$ 48,691**
Discontinued Operations				
Capital Expenditures	**$ —**	**$ —**	**$ —**	**$ 65**
Depreciation, Depletion, and Amortization	**$ 100**	**$ 3,803**	**$ 221**	**$ 7,642**

	September 30, 2020	March 31, 2020
	(dollars in thousands)	
Identifiable Assets		
Cement	$ 1,952,280	$ 1,980,306
Concrete and Aggregates	96,566	136,041
Gypsum Wallboard	369,966	375,946
Paperboard	193,259	183,288
Assets of Discontinued Operations	—	13,831
Other, net	259,212	271,608
	$ 2,871,283	**$ 2,961,020**

The Capital Expenditures for the six months ended September 30, 2019 disclosed above differs from the capital expenditures on the Unaudited Consolidated Statement of Cash Flows as it includes $2.9 million of capital expenditures that were accrued at September 30, 2019 and therefore not included in the Statement of Cash Flows. See Footnote (B) for more information.

Segment Operating Earnings, including the proportionately consolidated 50% interest in the revenue and expenses of the Joint Venture, represent Revenue, less direct operating expenses, segment Depreciation, and segment Selling, General and Administrative expenses. We account for intersegment sales at market prices. Corporate assets consist primarily of cash and cash equivalents, general office assets, and miscellaneous other assets.

The basis used to disclose Identifiable Assets; Capital Expenditures; and Depreciation, Depletion, and Amortization conforms with the equity method, and is similar to how we disclose these accounts in our Unaudited Consolidated Balance Sheets and Unaudited Consolidated Statements of Earnings.

The segment breakdown of Goodwill is as follows:

	September 30, 2020	March 31, 2020
	(dollars in thousands)	
Cement	$ 203,342	$ 205,797
Concrete and Aggregates	1,639	1,639
Gypsum Wallboard	116,618	116,618
Paperboard	7,538	7,538
	$ 329,137	**$ 331,592**

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

	For the Three Months Ended September 30, 2020	2019	For the Six Months Ended September 30, 2020	2019
	(dollars in thousands)		(dollars in thousands)	
Revenue	$ 54,387	$ 59,775	$ 104,987	$ 115,617
Gross Margin	$ 23,004	$ 26,191	$ 39,769	$ 46,056
Earnings Before Income Taxes	$ 21,154	$ 24,713	$ 36,745	$ 43,577

	September 30, 2020	March 31, 2020
	(dollars in thousands)	
Current Assets	$ 70,185	$ 77,331
Non-Current Assets	$ 101,889	$ 93,093
Current Liabilities	$ 16,917	$ 17,197

(P) INTEREST EXPENSE

The following components are included in Interest Expense, net:

	For the Three Months Ended September 30, 2020	2019	For the Six Months Ended September 30, 2020	2019
	(dollars in thousands)		(dollars in thousands)	
Interest Income	$ (40)	$ (7)	$ (40)	$ (11)
Interest Expense	11,672	9,861	24,692	18,432
Other Expenses	924	283	1,945	562
Interest Expense, net	**$ 12,556**	**$ 10,137**	**$ 26,597**	**$ 18,983**

Interest Income includes interest earned on investments of excess cash. Components of Interest Expense include interest associated with the Revolving Credit Facility, Term Loan, Senior Unsecured Notes, and commitment fees based on the unused portion of the Revolving Credit Facility. Other Expenses include amortization of debt issuance costs and Revolving Credit Facility costs.

(Q) COMMITMENTS AND CONTINGENCIES

We have certain deductible limits under our workers' compensation and liability insurance policies for which reserves are established based on the undiscounted estimated costs of known and anticipated claims. We have entered into standby letter of credit agreements relating to workers' compensation and auto and general liability self-insurance. At September 30, 2020, we had contingent liabilities under these outstanding letters of credit of approximately $5.0 million.

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

We are currently contingently liable for performance under $27.8 million in performance bonds required by certain states and municipalities and their related agencies. The bonds are principally for certain reclamation obligations and mining permits. We have indemnified the underwriting insurance company against any exposure under the performance bonds. In our past experience, no material claims have been made against these financial instruments.

(R) FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of our long-term debt has been estimated based upon our current incremental borrowing rates for similar types of borrowing arrangements. The fair value of our Senior Unsecured Notes at September 30, 2020 is as follows:

		Fair Value (dollars in thousands)
4.500% Senior Unsecured Notes Due 2026	$	364,613

The estimated fair value of our long-term debt was based on quoted prices of similar debt instruments with similar terms that are publicly traded (level 2 input). The carrying values of cash, restricted cash, cash equivalents, accounts and notes receivable, accounts payable, and accrued liabilities approximate their fair values at September 30, 2020, due to the short-term maturities of these assets and liabilities. The fair value of our Revolving Credit Facility and Term Loan also approximates their carrying values at September 30, 2020.

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

EXECUTIVE SUMMARY

We are a leading supplier of heavy construction materials and light building materials in the United States. Our primary products are commodities that are essential in commercial and residential construction; public construction projects; and projects to build, expand, and repair roads and highways. Demand for our products is generally cyclical and seasonal, depending on economic and geographic conditions. We distribute our products across many United States markets, which provides us with regional economic diversification.

On September 18, 2020, we sold our Oil and Gas Proppants business, which had been reported as an operating segment, resulting in a gain of approximately $9.2 million. Because the sale of the Oil and Gas Proppants business was determined to meet the discontinued operations accounting criteria, this segment is no longer separately reported in our reportable segment footnote for any of the periods presented. See Footnote (C) in the Unaudited Consolidated Financial Statements for more information about the sale of the Oil and Gas Proppants business.

Our remaining businesses are organized into two sectors: Heavy Materials, which includes the Cement and Concrete and Aggregates segments; and Light Materials, which includes the Gypsum Wallboard and Recycled Paperboard segments. Financial results and other information for the three and six months ended September 30, 2020 and 2019, respectively, are presented on a consolidated basis and by these business segments – Cement, Concrete and Aggregates, Gypsum Wallboard, and Recycled Paperboard.

We conduct one of our cement operations through a joint venture, Texas Lehigh Cement Company LP, which is located in Buda, Texas (the Joint Venture). We own a 50% interest in the Joint Venture and account for our interest under the equity method of accounting. We proportionately consolidate our 50% share of the Joint Venture's Revenue and Operating Earnings in the presentation of our Cement segment, which is the way management organizes the segments within the Company for making operating decisions and assessing performance.

All our business activities are conducted in the United States. These activities include the mining of limestone for the manufacture, production, distribution, and sale of portland cement (a basic construction material that is the essential binding ingredient in concrete); the grinding and sale of slag; the mining of gypsum for the manufacture and sale of gypsum wallboard; the manufacture and sale of recycled paperboard to the gypsum wallboard industry and other paperboard converters; the sale of readymix concrete; and the mining and sale of aggregates (crushed stone, sand, and gravel).

Demand for our products is generally cyclical and seasonal, depending on economic and geographic conditions. We distribute our products throughout most of the United States, except the Northeast, which provides us with regional economic diversification. However, general economic downturns or localized downturns in the regions where we have operations may have a material adverse effect on our business, financial condition, and results of operations.

On August 2, 2019, we acquired the assets of a readymix concrete and aggregates business in Northern Nevada (the ConAgg Acquisition). The purchase price (Purchase Price) of the ConAgg Acquisition was approximately $30.4 million. The Purchase Price and expenses incurred in connection with the ConAgg Acquisition were funded through operating cash flows and borrowings under our Revolving Credit Facility. The ConAgg Acquisition's assets and operating results are included in our Concrete and Aggregates segment reporting from August 2, 2019 through March 31, 2020, and for the six months ended September 30, 2020.

On March 6, 2020, we acquired the assets of Kosmos Cement Company (Kosmos), a joint venture between CEMEX S.A.B. de C.V. and Buzzi Unicem S.p.A. for approximately $669 million (the Kosmos Acquisition). The Kosmos Acquisition included (i) a cement plant located in Louisville, Kentucky, (ii) a limestone quarry located in Battletown, Kentucky, (iii) cement distribution terminals located in Indianapolis, Indiana; Cincinnati, Ohio; Pittsburgh, Pennsylvania; Charleston, West Virginia; Ceredo, West Virginia; Mt. Vernon, Indiana; and Lexington, Kentucky, and (iv) certain other properties and assets used by Kosmos in connection with the foregoing (collectively, the Kosmos Business). We also assumed certain liabilities and obligations of Kosmos relating to the Kosmos Business, including contractual obligations, reclamation obligations, and various other liabilities and obligations arising out of or relating to the Kosmos Business. We funded the payment of the purchase price and expenses incurred in connection with the transaction through a combination of cash on hand and a syndicated term loan facility. The Kosmos Business' assets and operating results are included in our Cement segment reporting from March 6, 2020 through March 31, 2020, and for the six months ended September 30, 2020.

On April 17, 2020, we sold our Western Aggregates LLC (Western) and Mathews Readymix LLC (Mathews) businesses for an aggregate purchase price of $93.5 million, resulting in a gain of $52.0 million. Western and Mathews were part of our Concrete and Aggregates operating segment, and their results of operations were included in our financial statements for the period from April 1, 2020 through April 17, 2020.

As previously announced on May 30, 2019, the Company plans to separate its Heavy Materials and Light Materials businesses into two independent, publicly traded corporations by means of a tax-free spin-off to Eagle shareholders. We remain committed to the separation and continue to make preparations to ensure that the two businesses are well-positioned for the separation, although the timing of the separation remains uncertain given the effects of the COVID-19 pandemic.

MARKET CONDITIONS AND OUTLOOK

To date, we have not been materially affected by the extraordinary and wide-ranging actions taken by international, federal, state and local public health and governmental authorities to contain and combat the spread of COVID-19.

Our second quarter results reflected another strong quarter for Eagle. Our end markets have remained resilient despite the COVID-related uncertainty. Our regional construction markets continued to outperform the national average and sales volume performance in both of our major business lines continued to improve – our wallboard shipments were up 6% and our organic cement sales volume was up 1%.

For the short term, we are well positioned to manage our cost structure and meet our customer needs. Our substantial raw material reserves support our low-cost producer position and during the early summer we implemented cement price increases across all of our markets and we have an announced wallboard price increase to be implemented in early November. Recycled fiber prices retreated from their spring highs and have largely been flat since July.

For the intermediate term, we are closely monitoring the disruptions caused by the COVID-19 pandemic, including potential second wave issues, and any responses designed to contain its spread and their possible impact on our business and our customers. While, recent economic data has been more constructive than many expected earlier this year, the extent to which the spread of COVID-19 will impact the national and local economies in which we operate, and ultimately our business, will depend on numerous factors, which are highly uncertain and difficult to predict; therefore, we continue to prepare for a broad range of economic outcomes.

RESULTS OF OPERATIONS

THREE MONTHS ENDED SEPTEMBER 30, 2020 COMPARED WITH THREE MONTHS ENDED SEPTEMBER 30, 2019

	For the Three Months Ended September 30, 2020	2019	Change
	(dollars in thousands, except per share)		
Revenue	$ 447,684	$ 400,569	12%
Cost of Goods Sold	(324,835)	(291,549)	11%
Gross Profit	122,849	109,020	13%
Equity in Earnings of Unconsolidated Joint Venture	10,577	12,357	(14)%
Corporate General and Administrative	(11,109)	(13,458)	(17)%
Other Non-Operating Income (Loss)	(90)	585	(115)%
Interest Expense, net	(12,556)	(10,137)	24%
Earnings from Continuing Operations Before Income Taxes	109,671	98,367	11%
Income Tax Expense	(19,800)	(23,303)	(15)%
Net Earnings from Continuing Operations	**89,871**	**75,064**	**20%**
Net Earnings (Loss) from Discontinued Operations	$ 6,163	$ (3,271)	-288%
Net Earnings	**$ 96,034**	**$ 71,793**	**34%**
Diluted Earnings per Share from Continuing Operations	**$ 2.16**	**$ 1.80**	**20%**

REVENUE

Revenue increased by $47.1 million, or 12%, to $447.7 million for the three months ended September 30, 2020. The Kosmos Acquisition contributed $50.0 million of Revenue for the three months ended September 30, 2020, while Western and Mathews contributed $9.6 million of Revenue for the three months ended September 30, 2019. Excluding the acquisition and dispositions, Revenue improved by $6.7 million, or 2%. The increase was due to higher gross sales prices, which positively affected Revenue by approximately $7.1 million. This was partially offset by lower Sales Volume, which negatively affected Revenue by $0.4 million.

COST OF GOODS SOLD

Cost of Goods Sold increased by $33.3 million, or 11%, to $324.8 million for the three months ended September 30, 2020. The Kosmos Acquisition contributed $35.6 million of Cost of Goods Sold for the three months ended September 30, 2020, while Western and Mathews contributed $8.1 million of Cost of Goods Sold for the three months ended September 30, 2019. Excluding the acquisitions and dispositions, Cost of Goods Sold increased by $5.8 million, or 2%. The increase in Cost of Goods Sold was due to higher operating costs of approximately $7.3 million, partially offset by lower Sales Volume of $1.6 million. The incease in operating costs was primarily related to our Cement and Concrete and Aggregates segments, which are discussed further on pages 31-32.

GROSS PROFIT

Gross Profit increased 13% to $122.8 million during the three months ended September 30, 2020. Excluding the acquisitions and dispositions, Gross Profit rose by $0.9 million, or 1%. The improvement in Gross Profit was primarily due to higher gross sales prices, partially offset by increased operating costs. The gross margin decreased to 27% from 28%, primarily because of increased operating costs, partially offset by higher gross sales prices.

EQUITY IN EARNINGS OF UNCONSOLIDATED JOINT VENTURE

Equity in Earnings of our Unconsolidated Joint Venture decreased $1.8 million, or 14%, for the three months ended September 30, 2020. The decline was primarily due to lower net sales prices and Sales Volume, which adversely affected earnings by approximately $0.4 million and $1.1 million, respectively, as well as increased operating costs, which lowered operating earnings by approximately $0.3 million.

CORPORATE GENERAL AND ADMINISTRATIVE

Corporate General and Administrative expenses declined by approximately $2.4 million, or 17%, for the three months ended September 30, 2020. The decrease was primarily because of lower salary and incentive compensation costs and legal and professional fees of approximately $1.3 million and $1.4 million, respectively. The lower salary and incentive compensation costs were primarily due to the retirement of personnel and the sale of businesses, while the lower legal and professional fees related to amounts spent in the prior fiscal year in connection with our strategic portfolio review.

OTHER NON-OPERATING INCOME (LOSS)

Other Non-Operating Income (Loss) consists of a variety of items that are unrelated to segment operations and include non-inventoried aggregates income, asset sales, and other miscellaneous income and cost items.

INTEREST EXPENSE, NET

Interest Expense, net increased by approximately $2.5 million, or 24%, during the three months ended September 30, 2020. The increase in Interest Expense, net was primarily due to higher interest on borrowings under our Term Loan of approximately $1.5 million and amortization of related debt issuances costs of $0.6 million. These increases were partially offset by lower interest on our Revolving Credit Facility of approximately $2.8 million and our Unsecured Private Placement Notes, which were paid in full in fiscal 2020, of $0.6 million. The increase in debt issuance costs was related to the issuance of the Term Loan and the amendment of both the Revolving Credit Facility and the Term Loan in April 2020. The lower interest expense on our Revolving Credit Facility was due to reducing our balance by approximately $240.0 million during the three months ended September 30, 2020.

EARNINGS FROM CONTINUING OPERATIONS BEFORE INCOME TAXES

Earnings from Continuing Operations Before Income Taxes increased to $109.7 million during the three months ended September 30, 2020, primarily as a result of higher Gross Profit and lower Corporate General and Administrative Expense. This was partially offset by lower Equity in Earnings of Unconsolidated Joint Venture and increased Interest Expense, net.

INCOME TAX EXPENSE

Income Tax Expense for the three months ended September 30, 2020 declined to $19.8 million from $23.3 million for the three months ended September 30, 2019. The effective tax rate decreased to 18% from 24% in the prior-year period. The decline in the effective tax rate was primarily due to a benefit recognized related to the reversal of all our uncertain tax positions during the three months ended September 30, 2020.

NET EARNINGS FROM CONTINUING OPERATIONS AND DILUTED EARNINGS PER SHARE FROM CONTINUING OPERATIONS

Net Earnings from Continuing Operations increased 20% to $89.9 million for the three months ended September 30, 2020. Diluted Earnings per Share from Continuing Operations also increased 20% to $2.16 per share.

NET EARNINGS (LOSS) FROM DISCONTINUED OPERATIONS

Net Earnings from Discontinued Operations increased to $6.2 million during the three months ended September 30, 2020, compared with a Net Loss from Discontinued Operations of $3.3 million for the three months ended September 30, 2019. The increase was due primarily to the recognition of a $9.2 million gain on the sale of the Oil and Gas Proppants business in September 2020.

NET EARNINGS

Net Earnings increased 34% to $96.0 million for the three months ended September 30, 2020.

SIX MONTHS ENDED SEPTEMBER 30, 2020 COMPARED WITH SIX MONTHS ENDED SEPTEMBER 30, 2019

	For the Six Months Ended September 30, 2020	2019	Change
	(dollars in thousands, except per share)		
Revenue	$ 874,673	$ 755,934	16%
Cost of Goods Sold	(649,527)	(568,820)	14%
Gross Profit	225,146	187,114	20%
Equity in Earnings of Unconsolidated Joint Venture	18,373	21,789	(16)%
Corporate General and Administrative	(28,898)	(34,712)	(17)%
Gain on Sale of Businesses	51,973	—	—
Other Non-Operating Income (Loss)	(399)	723	(155)%
Interest Expense, net	(26,597)	(18,983)	40%
Earnings from Continuing Operations Before Income Taxes	239,598	155,931	54%
Income Tax Expense	(52,636)	(37,534)	40%
Net Earnings from Continuing Operations	**186,962**	**118,397**	**58%**
Net Earnings (Loss) from Discontinued Operations	$ 5,278	$ (5,300)	**-200%**
Net Earnings	**$ 192,240**	**$ 113,097**	**70%**
Diluted Earnings per Share from Continuing Operations	**$ 4.49**	**$ 2.75**	**63%**

REVENUE

Revenue increased by $118.8 million, or 16%, to $874.7 million for the six months ended September 30, 2020. The Kosmos Acquisition and ConAgg Acquisition contributed $109.4 million of Revenue for the six months ended September 30, 2020, while Western and Mathews contributed $17.3 million of Revenue for the six months ended September 30, 2019. Excluding the acquisitions and dispositions, Revenue improved by $26.7 million, or 4%. The increase in Revenue was due to higher Sales Volume and gross sales prices, which positively affected Revenue by approximately $20.8 million and $5.9 million, respectively.

COST OF GOODS SOLD

Cost of Goods Sold increased by $80.7 million, or 14%, to $649.5 million for the six months ended September 30, 2020. The Kosmos and ConAgg Acquisitions contributed $83.5 million of Cost of Goods Sold for the six months ended September 30, 2020, while Western and Mathews contributed $14.8 million of Cost of Goods Sold for the six months ended September 30, 2019. Excluding the acquisitions and dispositions, Cost of Goods Sold increased by $12.0 million, or 2%. The higher in Cost of Goods Sold was due to increased Sales Volume of $13.1 million, partially offset by the reduction in operating costs of approximately $1.1 million.

GROSS PROFIT

Gross Profit increased 20% to $225.1 million during the six months ended September 30, 2020. Excluding the acquisitions and dispositions, Gross Profit increased by $14.6 million, or 8%. The increase in Gross Profit was primarily related to higher gross sales prices and increased Sales Volume, as well as lower operating expenses. The gross margin increased to 26% from 25%, primarily because of higher gross sales prices and lower operating expenses.

EQUITY IN EARNINGS OF UNCONSOLIDATED JOINT VENTURE

Equity in Earnings of our Unconsolidated Joint Venture decreased $3.4 million, or 16%, for the six months ended September 30, 2020. The decline was primarily due to lower net sales prices and Sales Volume, which adversely affected earnings by approximately $1.3 million and $1.6 million, respectively, as well as increased operating costs, which decreased operating earnings by approximately $0.5 million. The increase in operating costs was primarily related to maintenance, which increased by approximately $0.9 million, partially offset by lower energy costs of $0.4 million.

CORPORATE GENERAL AND ADMINISTRATIVE

Corporate General and Administrative expenses declined by approximately $5.8 million, or 17%, for the six months ended September 30, 2020. The decrease was primarily because of lower salary and incentive compensation costs of approximately $5.4 million and legal and professional costs of $0.5 million. The lower salary and incentive compensation costs were primarily due to the acceleration of stock compensation costs of $5.3 million upon the retirement of our Chief Executive Officer in the first quarter of fiscal 2020, while the lower legal and professional fees related to amounts spent in the prior year in connection with our strategic portfolio review, partially offset by increased professional costs associated with the Kosmos Acquisition, as well as the sales of Mathews and Western, and our Oil and Gas Proppants business.

GAIN ON SALE OF BUSINESSES

On April 17, 2020 we sold Western and Mathews for approximately $93.5 million. See Footnote (C) to the Unaudited Consolidated Financial Statements for more information regarding the sale.

OTHER NON-OPERATING INCOME (LOSS)

Other Non-Operating Income (Loss) consists of a variety of items that are unrelated to segment operations and include non-inventoried aggregates income, asset sales, and other miscellaneous income and cost items.

INTEREST EXPENSE, NET

Interest Expense, net increased by approximately $7.6 million, or 40%, during the six months ended September 30, 2020. The increase in Interest Expense, net was primarily due to higher interest on borrowings under our Term Loan of approximately $9.6 million and amortization of related debt issuances costs of $1.4 million. These increases were partially offset by lower interest on our Revolving Credit Facility of approximately $2.3 million and our Unsecured Private Placement Notes, which were paid in full in fiscal 2020, of $1.1 million. The higher in debt issuance costs were related to the issuance of the Term Loan and the amendment of both the Revolving Credit Facility and the Term Loan in April 2020. The lower interest expense on our Revolving Credit Facility was due to reducing our balance by approximately $315.0 million during the six months ended September 30, 2020.

EARNINGS FROM CONTINUING OPERATIONS BEFORE INCOME TAXES

Earnings from Continuing Operations Before Income Taxes increased to $239.6 million during the six months ended September 30, 2020, primarily as a result of higher Gross Profit and Gain on Sale of Businesses, and lower Corporate General and Administrative Expense. This was partially offset by lower Equity in Earnings of Unconsolidated Joint Venture and increased Interest Expense, net.

INCOME TAX EXPENSE

Income Tax Expense for the six months ended September 30, 2020 increased to $52.6 million from $37.5 million for the six months ended September 30, 2019. The effective tax rate declined to 22% from 24% in the prior-year period. The decrease in the effective tax rate was primarily due to a benefit recognized related to the reversal of all our uncertain tax positions during the six months ended September 30, 2020.

NET EARNINGS FROM CONTINUING OPERATIONS AND DILUTED EARNINGS PER SHARE FROM CONTINUING OPERATIONS

Net Earnings from Continuing Operations increased 58% to $187.0 million for the six months ended September 30, 2020. Diluted Earnings per Share increased 63% to $4.49 per share.

NET EARNINGS (LOSS) FROM DISCONTINUED OPERATIONS

Net Earnings from Discontinued Operations increased to $5.3 million during the six months ended September 30, 2020, compared with a Net Loss from Discontinued Operations of $5.3 million for the six months ended September 30, 2019. The increase was due primarily to the recognition of a $9.2 million gain on the sale of the Oil and Gas Proppants business in September 2020.

NET EARNINGS

Net Earnings increased 70% to $192.2 million for the six months ended September 30, 2020.

THREE AND SIX MONTHS ENDED SEPTEMBER 30, 2020 COMPARED WITH THREE AND SIX MONTHS ENDED SEPTEMBER 30, 2019 BY SEGMENT

The following presents results within our two business sectors for the three and six months ended September 30, 2020 and 2019. Revenue and operating results are organized by sector and discussed by individual business segment within each respective business sector.

Heavy Materials

CEMENT (1)

	For the Three Months Ended September 30,		Percentage Change	For the Six Months Ended September 30,		Percentage Change
	2020	2019		2020	2019	
	(in thousands, except per ton information)			(in thousands, except per ton information)		
Gross Revenue, including Intersegment and Joint Venture	$ 278,062	$ 227,013	22%	$ 539,473	$ 422,326	28%
Less Intersegment Revenue	(6,267)	(6,703)	(7)%	(12,298)	(10,956)	12%
Less Joint Venture Revenue	(27,193)	(29,888)	(9)%	(52,493)	(57,393)	(9)%
Gross Revenue, as reported	$ 244,602	$ 190,422	28%	$ 474,682	$ 353,977	34%
Freight and Delivery Costs billed to Customers	(18,850)	(15,475)	22%	(35,819)	(28,371)	26%
Net Revenue	$ 225,752	$ 174,947	29%	$ 438,863	$ 325,606	35%
Sales Volume (M Tons)	2,180	1,778	23%	4,265	3,328	28%
Average Net Sales Price, per ton (2)	$ 111.59	$ 109.35	2%	$ 110.38	$ 109.51	1%
Operating Margin, per ton	$ 36.66	$ 37.42	(2)%	$ 32.91	$ 30.84	7%
Operating Earnings	$ 79,913	$ 66,526	20%	$ 140,368	$ 102,647	37%

(1) Total of wholly owned subsidiaries and proportionately consolidated 50% interest of the Joint Venture's results.
(2) Net of freight per ton, including Joint Venture.

Three months ended September 30, 2020

Cement Revenue was $278.1 million, a 22% increase, for the three months ended September 30, 2020. Organic Cement Revenue increased approximately $5.5 million, primarily related to higher gross sales prices.

Cement Operating Earnings increased 20% to $79.9 million for the three months ended September 30, 2020. Excluding $14.4 million of Operating Earnings related to the Kosmos Acquisition, Operating Earnings decreased $1.0 million, or 2%. The decline was due to higher operating costs and product mix, which negatively affected Operating Earnings by approximately $5.1 million and $1.4 million, respectively. This was partially offset by higher gross sales prices, which increased Operating Earnings by $5.5 million. The increase in operating costs was primarily because of a change in the timing of our annual cement maintenance outages. Historically our outages occur in the fiscal first quarter, but we deferred the outages at two of our facilities until the current fiscal quarter, resulting in higher maintenance expense compared to the prior year period. The operating margin remained consistent at 29% during the quarter.

Six months ended September 30, 2020

Cement Revenue was $539.5 million, a 28% increase, for the six months ended September 30, 2020. Organic Cement Revenue increased approximately $24.0 million, and was primarily due to higher gross sales prices and Sales Volume, which improved Cement Revenue by approximately $9.3 million and $14.7 million, respectively.

Cement Operating Earnings increased 37% to $140.4 million for the six months ended September 30, 2020. Excluding $25.0 million of Operating Earnings related to the Kosmos Acquisition, Operating Earnings increased $12.8 million, or 12%. The increase was due to higher gross sales prices and Sales Volume, which positively affected Operating Earnings by approximately $9.3 million and $1.5 million, respectively, as well as lower operating costs which increased Operating Earnings by $2.0 million. The decrease in operating costs was primarily because of lower energy costs. The operating margin increased to 26% from 24%, primarily because of lower operating costs and higher gross sales prices.

CONCRETE AND AGGREGATES

	For the Three Months Ended September 30, 2020	2019	Percentage Change	For the Six Months Ended September 30, 2020	2019	Percentage Change
	(in thousands, except net sales prices)			(in thousands, except net sales prices)		
Gross Revenue, including intersegment	$ 46,300	$ 55,971	(17)%	$ 90,490	$ 95,749	(5)%
Less intersegment Revenue	—	(407)	(100)%	(106)	(784)	(86)%
Gross Revenue, as reported	$ 46,300	$ 55,564	(17)%	$ 90,384	$ 94,965	(5)%
Sales Volume -						
M Cubic Yards of Concrete	357	428	(17)%	705	738	(4)%
M Tons of Aggregate	475	1,060	(55)%	950	1,859	(49)%
Average Net Sales Price -						
Concrete - Per Cubic Yard	$ 116.55	$ 107.69	8%	$ 115.10	$ 105.94	9%
Aggregates - Per Ton	$ 10.02	$ 9.25	8%	$ 9.90	$ 9.42	5%
Operating Earnings	$ 5,255	$ 7,255	(28)%	$ 10,673	$ 11,689	(9)%

Three months ended September 30, 2020

Concrete and Aggregates Revenue decreased 17% to $46.3 million for the three months ended September 30, 2020. Excluding Revenue related to Western and Mathews in fiscal 2020, Revenue increased $0.3 million, or 1%. The primary reason for the increase in Revenue was higher gross sales prices, which positively affected Revenue by $3.5 million. This was partially offset by lower Sales Volume, which reduced Revenue by $3.2 million.

Operating Earnings decreased 28% to approximately $5.3 million. Excluding Operating Earnings related to Western and Mathews in fiscal 2020, Operating Earnings decreased $0.4 million, or 8%. The decline was a result of lower Concrete Sales Volume and higher operating costs, which negatively affected Operating Earnings by approximately $1.8 million and $2.2 million respectively. The decline was partially offset by higher gross sales prices of approximately $3.5 million. The increase in operating costs was primarily because of higher cost of materials of approximately $1.7 million.

Six months ended September 30, 2020

Concrete and Aggregates Revenue decreased 5% to $90.5 million for the six months ended September 30, 2020. Excluding Revenue related to the ConAgg Acquisition and Western and Mathews for the first quarter of fiscal 2021, as well as Western and Mathews in fiscal 2020, Revenue increased $1.0 million, or 1%. The increase in Revenue was primarily related to higher gross sales prices, which positively affected Revenue by $5.4 million. This was partially offset by lower Sales Volume, which reduced Revenue by $4.4 million.

Operating Earnings decreased 28% to approximately $5.3 million. Excluding Operating Earnings related to the ConAgg Acquisition and Western and Mathews for the first quarter of fiscal 2021, and Western and Mathews in fiscal 2020, Operating Earnings increased $0.6 million, or 6%. The increase was due to higher gross sales prices, which positively affected Operating Earnings by $5.4 million, partially offset by lower Sales Volume and higher operating costs, which negatively impacted Operating Earnings by approximately $0.5 million and $4.2 million respectively. The increase in operating costs was primarily because of higher cost of materials of approximately $2.3 million and overhead costs of $1.4 million.

Light Materials

GYPSUM WALLBOARD

	For the Three Months Ended September 30,		Percentage Change	For the Six Months Ended September 30,		Percentage Change
	2020	2019		2020	2019	
	(in thousands, except per MSF information)			(in thousands, except per MSF information)		
Gross Revenue, as reported	$ 131,210	$ 128,660	2%	$ 261,360	$ 255,384	2%
Freight and Delivery Costs billed to Customers	(27,977)	(27,811)	—	(55,099)	(54,911)	—
Net Revenue	$ 103,233	$ 100,849	2%	$ 206,261	$ 200,473	3%
Sales Volume (MMSF)	720	681	6%	1,424	1,341	6%
Average Net Sales Price, per MSF (1)	$ 143.41	$ 148.16	(3)%	$ 144.83	$ 149.53	(3)%
Freight, per MSF	$ 38.86	$ 40.84	(5)%	$ 38.69	$ 40.95	(6)%
Operating Margin, per MSF	$ 52.23	$ 56.47	(8)%	$ 55.43	$ 56.96	(3)%
Operating Earnings	$ 37,606	$ 38,456	(2)%	$ 78,931	$ 76,388	3%

(1) Net of freight per MSF.

Three months ended September 30, 2020

Gypsum Wallboard Revenue increased 2% to $131.2 million for the three months ended September 30, 2020, primarily related to a 6% increase in Sales Volume. The higher Sales Volume positively affected Revenue by approximately $7.4 million, partially offset by lower gross sales prices, which adversely affected Revenue by $4.9 million. Our market share increased slightly during the three months ended September 30, 2020, due to the strength in our regional markets compared to the national average.

Operating Earnings decreased 2% to $37.6 million, primarily due to lower gross sales prices, which negatively affected Operating Earnings by $4.9 million. The decline was partially offset by higher Sales Volume and lower operating costs that positively affected Operating Earnings by approximately $2.2 million and $1.8 million, respectively. The lower operating costs were primarily related to freight, energy, and maintenance and other, which reduced operating costs by approximately $1.4 million, $0.4 million, and $2.1 million, respectively. These were partially offset by higher paper costs of approximately $2.0 million. The operating margin declined to 29% for the three months ended September 30, 2020, primarily related to lower gross sales prices, partially offset by lower operating costs. Fixed costs are not a significant portion of the overall cost of wallboard; therefore, changes in utilization have a relatively minor impact on our operating cost per unit.

Six months ended September 30, 2020

Gypsum Wallboard Revenue increased 2% to $261.4 million for the six months ended September 30, 2020, primarily related to a 6% increase in Sales Volume. The higher Sales Volume positively affected Revenue by approximately $15.8 million, partially offset by lower gross sales prices, which adversely affected Revenue by $9.8 million. Our market share increased slightly during the six months ended September 30, 2020, due to the strength in our regional markets compared to the national average.

Operating Earnings increased 3% to $78.9 million, primarily due to higher Sales Volume and lower operating costs, which positively affected Operating Earnings by $4.7 million and $7.6 million, respectively. This was partially offset by lower gross sales prices that negatively affected Operating Earnings by approximately $9.8 million. The lower operating costs were primarily related to freight, energy, and maintenance, which reduced operating costs by approximately $3.2 million, $1.5 million, and $2.0 million, respectively. The operating margin remained consistent at 30% for the six months ended September 30, 2020, with lower gross sales prices being offset by lower operating costs. Fixed costs are not a significant portion of the overall cost of wallboard; therefore, changes in utilization have a relatively minor impact on our operating cost per unit.

RECYCLED PAPERBOARD

	For the Three Months Ended September 30, 2020	2019	Percentage Change	For the Six Months Ended September 30, 2020	2019	Percentage Change
	(in thousands, except per ton information)			(in thousands, except per ton information)		
Gross Revenue, including intersegment	$ 46,071	$ 41,847	10%	$ 82,815	$ 84,547	(2)%
Less intersegment Revenue	(20,499)	(15,924)	29%	(34,568)	(32,939)	5%
Gross Revenue, as reported	$ 25,572	$ 25,923	(1)%	$ 48,247	$ 51,608	(7)%
Freight and Delivery Costs billed to Customers	(1,352)	(1,129)	20%	(2,685)	(2,334)	15%
Net Revenue	$ 24,220	$ 24,794	(2)%	$ 45,562	$ 49,274	(8)%
Sales Volume (M Tons)	87	86	1%	164	167	(2)%
Average Net Sales Price, per ton (1)	$ 513.11	$ 475.98	8%	$ 489.13	$ 492.71	(1)%
Freight, per ton	$ 15.54	$ 13.13	18%	$ 16.37	$ 13.98	17%
Operating Margin, per ton	$ 122.44	$ 117.38	4%	$ 82.60	$ 119.99	(31)%
Operating Earnings	$ 10,652	$ 10,095	6%	$ 13,547	$ 20,039	(32)%

(1) Net of freight per ton.

Three months ended September 30, 2020

Recycled Paperboard Revenue increased 10% to $46.1 million during the three months ended September 30, 2020. The increase in Revenue was due to higher gross sales prices and Sales Volume, which positively affected Revenue by $3.5 million and $0.8 million, respectively. Higher gross sales prices were due to the pricing provisions in our long-term sales agreements.

Operating Earnings increased 6% to $10.7 million, primarily because of the higher gross sales prices and Sales Volume, which positively affected Operating Earnings by approximately $3.5 million and $0.2 million, respectively. These increases were partially offset by higher operating costs of approximately $3.1 million. The increase in operating costs was primarily due to input costs and depreciation, which increased approximately $2.2 million and $1.1 million, respectively, partially offset by lower energy costs of $0.8 million. Operating margin decreased to 23% from 24%, primarily because of higher operating costs, partially offset by higher gross sales prices.

Six months ended September 30, 2020

Recycled Paperboard Revenue declined 2% to $82.8 million during the six months ended September 30, 2020. The decrease in Revenue was due to lower gross sales prices and Sales Volume, which adversely affected Revenue by $0.2 million and $1.5 million, respectively. Lower gross sales prices were due to the pricing provisions in our long-term sales agreements.

Operating Earnings declined 32% to $13.5 million, primarily because of the decrease in gross sales prices and Sales Volume, and an increase in operating costs, which adversely affected Operating Earnings by approximately $0.2 million, $0.4 million, and $5.9 million, respectively. The increase in operating costs was primarily due to operating inefficiencies in April and May related to start-up of the papermill after the completion of the project to enhance and expand the mill, as well as higher input costs, namely fiber, which lowered Operating Earnings by approximately $2.1 million and $4.5 million, respectively. The increase in fiber cost occurred during the fiscal first quarter, and was due primarily to the decline in generation of OCC due to the shelter-in-place orders issued to combat the COVID-19 pandemic. This was partially offset by lower energy costs of approximately $1.3 million. Operating margin decreased to 16% from 24%, primarily because of higher operating costs and lower gross sales prices.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in accordance with accounting principles generally accepted in the United States requires management to adopt accounting policies and make significant judgments and estimates to develop amounts reflected and disclosed in the financial statements. In many cases, there are alternative policies or estimation techniques that could be used. We maintain a thorough process to review the application of our accounting policies and to evaluate the appropriateness of the many estimates that are required to prepare our financial statements. However, even under optimal circumstances, estimates routinely require adjustment based on changing circumstances and the receipt of new or better information.

Information regarding our Critical Accounting Policies can be found in our Annual Report. The three critical accounting policies that we believe either require the use of the most judgment, or the selection or application of alternative accounting policies, and are material to our financial statements, are those relating to long-lived assets, goodwill, and business combinations. Management has discussed the development and selection of these Critical Accounting Policies and estimates with the Audit Committee of our Board of Directors and with our independent registered public accounting firm. In addition, Note (A) to the financial statements in our Annual Report contains a summary of our significant accounting policies.

Recent Accounting Pronouncements

Refer to Footnote (A) in the Notes to Unaudited Consolidated Financial Statements of this Form 10-Q for information regarding recently issued accounting pronouncements that may affect our financial statements.

LIQUIDITY AND CAPITAL RESOURCES

Notwithstanding the anticipated challenges associated with COVID-19, we believe at this time 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. We will continue to monitor the impact of COVID-19 on the economy, and on our operations and future liquidity needs, as a continued worldwide disruption of economic activity could materially affect our future access to these sources of liquidity. Please see the Debt Financing Activities section for a discussion of our cash position, credit facility, and the amount of borrowings available to us in the next twelve-month period.

Cash Flow

The following table provides a summary of our cash flows:

	For the Six Months Ended September 30, 2020	2019
	(dollars in thousands)	
Net Cash Provided by Operating Activities	**$ 358,377**	**$ 184,696**
Investing Activities:		
Additions to Property, Plant, and Equipment	(40,676)	(60,007)
Acquisition Spending	—	(30,872)
Proceeds from Sale of Businesses	91,022	—
Net Cash Provided by (Used in) Investing Activities	**50,346**	**(90,879)**
Financing Activities:		
Increase (Decrease) in Credit Facility	(315,000)	275,000
Dividends Paid to Stockholders	(4,163)	(8,815)
Purchase and Retirement of Common Stock	—	(313,887)
Proceeds from Stock Option Exercises	498	1,767
Payment of Debt Issuance Costs	(1,718)	—
Shares Redeemed to Settle Employee Taxes on Stock Compensation	(1,130)	(2,799)
Net Cash Provided by (Used in) Financing Activities	**(321,513)**	**(48,734)**
Net Increase in Cash, Cash Equivalents, and Restricted Cash	**$ 87,210**	**$ 45,083**

Net Cash Provided by Operating Activities increased by $173.7 million to $358.4 million during the six months ended September 30, 2020. This increase was primarily attributable to higher Net Earnings, net of the Gain on Sale of Businesses, higher dividends from our Joint Venture, and a reduction in the change of working capital, which increased cash flows by approximately $18.0 million, $3.0 million, and $111.1 million, respectively. The change in working capital was primarily related to receiving an income tax refund of approximately $99.7 million that was included in receivables at March 31, 2020. Net Cash Provided by Operating Activities was also positively affected by $45.0 million from the reduction of deferred tax liabilities related to the sale of the Oil and Gas Proppants business.

Working capital declined by $23.2 million to $485.3 million at September 30, 2020, primarily due to lower Inventories and Income Tax Receivables of approximately $45.0 million and $99.7 million, respectively. This was partially offset by higher Accounts and Notes Receivable, Cash, and Restricted Cash of approximately $31.3 million, $82.3 million, and $5.0 million, respectively. The reduction in Inventory was due to increased Revenue and the seasonal nature of our business. The decrease in Income Tax Receivables and increase in Cash was due primarily to receiving our income tax refund during July 2020.

The increase in Accounts and Notes Receivable at September 30, 2020, was primarily related to higher Revenue during the three months ended September 30, 2020, compared with the three months ended March 31, 2020. As a percentage of quarterly sales generated for the respective quarter, Accounts Receivable was approximately 40% at September 30, 2020 and 48% at March 31, 2020. Management measures the change in Accounts Receivable by monitoring the days sales outstanding on a monthly basis to determine if any deterioration has occurred in the collectability of the Accounts Receivable. No significant deterioration in the collectability of our Accounts Receivable was identified at September 30, 2020. Notes Receivable are monitored on an individual basis, and no significant deterioration in the collectability of our Notes Receivable was identified at September 30, 2020. We are closely monitoring the impact of COVID-19 on our customers' ability to pay their outstanding balances.

Our Inventory balance at September 30, 2020 declined by approximately $45.0 million from our balance at March 31, 2020. Within Inventory, raw materials and materials-in-progress, finished cement, and aggregates decreased approximately $26.1 million, $14.6 million, and $4.9 million, respectively. The decline in raw materials and materials-in-progress and cement is consistent with our business cycle: we generally build up clinker inventory over the winter months to meet the demand in the spring and summer. The reduction in aggregates inventory was primarily due to the sale of Western, which had approximately $5.1 million of aggregate inventory at the date of sale. The largest individual balance in our Inventory is our repair parts. These parts are necessary given the size and complexity of our manufacturing plants, as well as the age of certain of our plants, which creates the need to stock a high level of repair parts inventory. We believe all of these repair parts are necessary, and we perform semi-annual analyses to identify obsolete parts. We have less than one year's sales of all product inventories, and our inventories have a low risk of obsolescence because our products are basic construction materials.

Net Cash Provided by Investing Activities during the three months ended September 30, 2020 was approximately $50.3 million, compared with Net Cash Used in Investing Activities of $90.9 million during the same period in 2019, an increase of approximately $141.2 million. The increase was primarily related to the $91.0 million of cash received for the sale of businesses, and reductions in capital spending and acquisition spending of $19.3 million and $30.9 million, respectively. The decrease in capital spending was due to our focus on limiting capital expenditures to critical maintenance and safety and regulatory projects as we manage our cash flow in response to COVID-19.

Net Cash Used in Financing Activities was approximately $321.5 million during the six months ended September 30, 2020, compared with $48.7 million in the similar period in 2020. The $272.8 million increase was primarily due to the $315.0 million reduction in net borrowings compared with additional borrowings of $275.0 million in fiscal 2020, as well as a reduction of $313.9 million in repurchase and retirement of common stock.

Our debt-to-capitalization ratio and net-debt-to-capitalization ratio were 51.9% and 47.6%, respectively, at September 30, 2020, compared with 61.7% and 60.0%, respectively, at March 31, 2020.

Debt Financing Activities

Below is a summary of the Company's debt facilities at September 30, 2020:

	Maturity
Revolving Credit Facility	August 2022
4.500% Senior Unsecured Notes	August 2026
Term Loan	August 2022

See Footnote (N) to the Unaudited Consolidated Financial Statements for further details on the Company's debt facilities, including interest rate, and financial and other covenants and restrictions.

The borrowing capacity or our Revolving Credit Facility is $750.0 million until August 2, 2021, after which the aggregate borrowing capacity will be reduced to $665.0 million. The Revolving Credit Facility also includes a swingline loan sublimit of $25.0 million, and a $40.0 million letter of credit facility. At September 30, 2020 we had $5.0 million of outstanding letters of credit. We previously provided an irrevocable stand-by letter of credit for any borrowings made by our Joint Venture under its credit facility; however, this credit facility was terminated and the letter of credit cancelled in July 2020. We are contingently liable for performance under $27.8 million in performance bonds relating primarily to our mining operations. We do not have any off-balance-sheet debt, or any outstanding debt guarantees.

We had $245.0 million of borrowing outstanding under the Revolving Credit Facility at September 30, 2020. We had $500.0 million of available borrowings under the Revolving Credit Facility, net of outstanding letters of credit, at September 30, 2020, all of which was available for future borrowings based on our current Leverage Ratio.

In addition to the Revolving Credit Facility, we have $200.9 million of cash on hand at September 30, 2020, giving us total liquidity of approximately $700.9 million (cash on hand plus Revolving Credit Facility availability).

Other than the Revolving Credit Facility, we have no other source of committed external financing in place. Should the Revolving Credit Facility be terminated, no assurance can be given as to our ability to secure a new source of financing. Consequently, if any balance were outstanding on the Revolving Credit Facility at the time of termination, and an alternative source of financing could not be secured, it would have a material adverse impact on our business. Our Revolving Credit Facility is not rated by the rating agencies.

We believe that our cash flow from operations and available borrowings under our Revolving Credit Facility, as well as cash on hand, should be sufficient to meet our currently anticipated operating needs, capital expenditures, and debt service requirements for at least the next 12 months. However, our future liquidity and capital requirements may vary depending on a number of factors, including market conditions in the construction industry, our ability to maintain compliance with covenants in our Revolving Credit Facility, the level of competition, and general and economic factors beyond our control, such as the continuing impact COVID-19. These and other developments could reduce our cash flow or require that we seek additional sources of funding. We cannot predict what effect these factors will have on our future liquidity. See Market Conditions and Outlook on page 28 for further discussion of the possible effects of COVID-19 on our business.

As market conditions warrant, the Company may from time to time seek to purchase or repay its outstanding debt securities or loans, including the Term Loan, 4.500% Senior Unsecured Notes, and borrowings under the Revolving Credit Facility, in privately negotiated or open market transactions, by tender offer 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 debt. The amounts involved in any such purchase transactions, individually or in aggregate, may be material.

We lease one of our cement plants from the city of Sugar Creek, Missouri. The city of Sugar Creek issued industrial revenue bonds to partly finance improvements to the cement plant. The lease payments due to the city of Sugar Creek under the cement plant lease, which was entered into upon the sale of the industrial revenue bonds, are equal in amount to the payments required to be made by the city of Sugar Creek to the holders of the industrial revenue bonds. Because we hold all outstanding industrial revenue bonds, no debt is reflected on our financial statements in connection with our lease of the cement plant. At the expiration of the lease in December 2020, we will exercise our option to purchase the cement plant for a nominal amount. We also have approximately $44.2 million of lease liabilities at September 30, 2020 that have an average remaining life of approximately 9.1 years.

Dividends

Dividends paid were $4.2 million and $8.8 million, respectively, for the six months ended September 30, 2020 and 2019. On April 13, 2020, we announced the suspension of future quarterly dividends.

Share Repurchases

On April 18, 2019, the Board of Directors authorized us to repurchase an additional 10.0 million shares. This authorization brought the cumulative total of Common Stock our Board has approved for repurchase in the open market to 48.4 million shares since we became publicly held in April 1994. Through September 30, 2020, we have repurchased approximately 41.1 million shares.

Share repurchases may be made from time to time in the open market or in privately negotiated transactions. The timing and amount of any share repurchases are determined by management, based on its evaluation of market and economic conditions and other factors. In some cases, repurchases may be made pursuant to plans, programs, or directions established from time to time by the Company’s management, including plans intended to comply with the safe-harbor provided by Rule 10b5-1.

During the six months ended September 30, 2020, the Company withheld from employees 36,099 shares of stock upon the vesting of Restricted Shares that were granted under the Plan. We withheld these shares to satisfy the employees’ statutory tax withholding requirements, which is required once the Restricted Shares or Restricted Shares Units are vested.

Capital Expenditures

The following table details capital expenditures by category:

	For the Six Months Ended September 30,	
	2020	2019
	(dollars in thousands)	
Land and Quarries	$ 5,125	$ 5,000
Plants	29,200	50,858
Buildings, Machinery, and Equipment	6,351	7,017
Total Capital Expenditures	**$ 40,676**	**$ 62,875**

Capital expenditures for fiscal 2021 are expected to range from $60.0 million to $70.0 million and will be allocated across the Heavy and Light Materials sectors. These estimated capital expenditures are limited to critical maintenance and safety and regulatory projects as we manage our cash flow in response to the COVID-19 pandemic.

The capital expenditures for the six months ended September 30, 2019 disclosed above differs from the capital expenditures on the Unaudited Consolidated Statement of Cash Flows. It includes $2.9 million of capital expenditures that were accrued at September 30, 2019 and therefore not included in the Statement of Cash Flows.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to market risks related to fluctuations in interest rates on our Revolving Credit Facility and Term Loan. We have occasionally utilized derivative instruments, including interest rate swaps, in conjunction with our overall strategy to manage the debt outstanding that is subject to changes in interest rates. We have a $750.0 million Revolving Credit Facility and an outstanding Term Loan at September 30, 2020, under which borrowings bear interest at a variable rate. A hypothetical 100 basis point increase in interest rates on the $910.0 million of borrowings under the Revolving Credit Facility and Term Loan at September 30, 2020 would increase interest expense by approximately $9.1 million on an annual basis. At present, we do not utilize derivative financial instruments.

We are subject to commodity risk with respect to price changes principally in coal, coke, natural gas, and power. We attempt to limit our exposure to changes in commodity prices by entering into contracts or increasing our use of alternative fuels.

Item 4. Controls and Procedures

We have established a system of disclosure controls and procedures that are designed to ensure that information relating to the Company, which is required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934 (Exchange Act), is recorded, processed, summarized, and reported within the time periods specified by the SEC's rules and forms, and that such information is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, in a timely fashion. An evaluation of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) was performed as of the end of the period covered by this quarterly report. This evaluation was performed under the supervision and with the participation of management, including our CEO and CFO. Based upon that evaluation, our CEO and CFO have concluded that these disclosure controls and procedures were effective.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

We are party to certain legal actions arising from the ordinary course of business. In addition, our operations and properties are subject to extensive and changing federal, state, and local laws; regulations and ordinances governing the protection of the environment; as well as laws relating to worker health and workplace safety. We carefully consider these potential liabilities and the requirements mandated by such laws and regulations and have procedures in place at all of our operating units to monitor compliance. Any matters which are identified as potential exposures under these laws and regulations are carefully reviewed by management to determine our potential liability.

Item 1A. Risk Factors

For additional information regarding factors that could impact our results of operations, financial condition, and liquidity, see Part 1. Item 1A. Risk Factors in our Form 10-K for the fiscal year ended March 31, 2020, filed with the Securities and Exchange Commission on May 22, 2020.

The COVID-19 pandemic has caused severe disruptions in the U.S. and global economies. Although the extent of its impact continues to be highly uncertain, we believe the pandemic and the response to it are likely to negatively affect demand for our products and could have a material adverse effect on our business, operations, financial condition and results of operations.

On March 11, 2020, the World Health Organization declared the outbreak of COVID-19, which began spreading globally in late 2019, a global pandemic and recommended containment and mitigation measures worldwide. On March 13, 2020, the United States declared a national emergency arising from the COVID-19 pandemic, and several states and municipalities declared public health emergencies. Since the time of these initial declarations, international, federal, state, and local public health and governmental authorities have taken extraordinary and wide-ranging measures to contain and combat the outbreak and spread of COVID-19, including quarantines, “shelter-in-place” orders, and mandates and recommendations for individuals to substantially restrict daily activities and for many businesses to curtail or cease normal operations. Some of these measures have now been lifted or modified, but others have been extended or remain in place. Moreover, despite these measures, COVID-19 has continued to spread in many areas within the United States, with a number of states currently experiencing the highest level of new cases since the start of the pandemic and other states beginning to experience a “second wave” of cases.

To date, we have not been materially affected by governmental orders requiring businesses to curtail or cease normal operations. We are continuing to operate as an essential business in virtually all of the markets we serve. There can be no assurance, however, that new restrictions will not be adopted that would limit or restrict the scope of our operations. In addition, the COVID-19 pandemic and responses thereto designed to contain its spread and mitigate its public health effects could have a negative impact on several areas affecting our business, including the following:

- The COVID-19 pandemic has resulted in adverse macroeconomic conditions that have the potential to affect demand for our products in the principal markets in which we operate. For example, the pandemic and responses thereto have resulted in significant job losses and substantial decreases in consumer confidence in many of the markets in which we operate. Consequently, it is likely that the COVID-19 pandemic will negatively affect demand for our products in current or future periods.
- The pandemic is likely to have a significant effect on state and local government revenues and construction budgets, and may result in delays, cancellations or curtailment of construction projects.
- The pandemic could result in delays in collecting on certain of our accounts receivable from our customers.

- The pandemic could result in increased costs associated with compliance with new government regulations or restrictions, such as quarantines or social distancing mandates or new workplace safety measures, which may affect our operations in one or more of the markets in which we operate.
- The pandemic has resulted, and may continue to result, in fluctuations in equity market prices (including that of our Common Stock), interest rates and credit spreads, which may limit our ability to raise or deploy capital and implement our future plans, including our planned separation of our Heavy Materials and Light Materials businesses.
- Finally, the pandemic may have other negative impacts on our operations, supply chain, transportation networks and customers, which we may not be able to anticipate or respond to effectively.

We are continuing to monitor the COVID-19 pandemic and its likely effects. The timing of these effects is not expected to be uniform, with some effects having a short-term impact and others likely to be felt for a number of years. In general, the extent to which the COVID-19 pandemic will ultimately impact our business, operations, financial condition and results of operations will depend on numerous factors, which are highly uncertain, rapidly changing and cannot be predicted. These factors include:

- the duration and scope of the outbreak;
- governmental, business and individual actions that have been and continue to be taken in response to the outbreak;
- the effect of the outbreak on our customers, suppliers, supply chain, and other business partners;
- our ability during the outbreak to continue to carry out our manufacturing operations in an efficient manner, while taking measures to protect the health and well-being of our employees;
- the willingness and ability of our customers to order and pay for our products during and following the outbreak; and
- the impact of the outbreak on the financial markets and economic activity generally.

The above uncertainties surrounding the COVID-19 pandemic also make it more challenging for our management to estimate the future performance of our business and develop strategies to generate growth or achieve our objectives for fiscal 2021 and future periods.

One key area we continue to closely monitor is the effect of the COVID-19 pandemic on our manufacturing operations. Although we are taking precautions to ensure the safety of our employees, in the event we suffer an outbreak at one of our manufacturing facilities, we may be forced to suspend operations at such facility until the health conditions improve. Any such reduction in our production capacity could render us unable to continue to produce our construction products or satisfy order placed by our customers.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The disclosure required under this Item is included in “Management’s Discussion and Analysis of Results of Operations and Financial Condition” of this Quarterly Report on Form 10-Q under the heading “Share Repurchases” and 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 is included in Exhibit 95 to this Form 10-Q.

Item 6. Exhibits

10.1*	Eagle Materials Inc. Director Compensation Summary. (1)
10.2*	Form of Director Restricted Stock Agreement. (1)
31.1*	Certification of the Chief Executive Officer of Eagle Materials Inc. pursuant to Rules 13a-14 and 15d-14 promulgated under the Securities Exchange Act of 1934, as amended.
31.2*	Certification of the Chief Financial Officer of Eagle Materials Inc. pursuant to Rules 13a-14 and 15d-14 promulgated under the Securities Exchange Act of 1934, as amended.
32.1*	Certification of the Chief Executive Officer of Eagle Materials Inc. pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2*	Certification of the Chief Financial Officer of Eagle Materials Inc. pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
95*	Mine Safety Disclosure
101.INS*	Inline XBRL Instance Document – The instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH*	Inline XBRL Taxonomy Extension Schema Document.
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File – (formatted as Inline XBRL and Contained in Exhibit 101).

* Filed herewith.
(1) Management contract or compensatory plan or arrangement.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

	EAGLE MATERIALS INC. Registrant
October 29, 2020	/s/ MICHAEL R. HAACK Michael R. Haack President and Chief Executive Officer (principal executive officer)
October 29, 2020	/s/ D. CRAIG KESLER D. Craig Kesler Executive Vice President – Finance and Administration and Chief Financial Officer (principal financial officer)
October 29, 2020	/s/ WILLIAM R. DEVLIN William R. Devlin Senior Vice President – Controller and Chief Accounting Officer (principal accounting officer)

Exhibit 10.1

EAGLE MATERIALS INC.
Non-Employee Directors -- Compensation Summary
Effective August 2020 to July 2021

On an annual basis, each non-employee director of Eagle Materials Inc. (the "Company") may select one of the following compensation packages for his or her performance of director services during the next 12 months:

(1) total annual compensation valued at $230,000, of which $105,000 is paid in cash and the remainder is provided in the form of an equity grant valued at $125,000; or

(2) an equity grant valued at $261,500.

The grant date value of the equity grant under either alternative is allocated between restricted stock and options to purchase common stock of the Company, par value $0.01 ("Common Stock") (based upon the recommendation of the Compensation Committee) with respect to each non-employee director.

In accordance with the terms of the Eagle Materials Inc. Amended and Restated Incentive Plan, the exercise price of the stock options is set at the closing price of the Common Stock on the New York Stock Exchange ("NYSE") on the date of grant. The number of option shares granted is determined as of the date of the grant by using the Black-Scholes method. No stock options were granted as part of this year's package.

The number of shares of restricted stock is determined as of the date of grant using the closing price of the Common Stock on the NYSE on the date of grant. The restricted stock granted to directors in August 2020 was earned on the date of grant; however, the shares will not become fully vested (unrestricted) until the earliest to occur of (i) February 5, 2021; (ii) the recipient's retirement from the Board in accordance with the Company's director retirement policy, or under such circumstances as are approved by the Compensation Committee; or (iii) the recipient's death. During the restriction period the director will have the right to vote the shares. In addition, the director will also be entitled to cash dividends as and when the Company issues a cash dividend on the Common Stock.

Non-employee directors who chair committees of the Board of Directors receive additional annual compensation. The chairs of the Audit Committee, Compensation Committee and Governance Committee each receive a fee of $20,000 per year. The Chairman of the Board of Directors receives a fee of $170,000 per year. Chairpersons who choose compensation package alternative one (part equity and part cash) receive this additional compensation in the form of cash. Chairpersons who choose compensation package alternative two (all equity) receive this additional compensation in the form of equity, in which case a 30% premium is added to such fees when valuing the equity to be received by such chairperson.

Any non-employee director holding unvested restricted stock units (“RSUs”) granted as part of director compensation in prior fiscal years (which currently includes Mr. Nicolais) will receive dividend equivalent units as and when the Company issues a cash dividend on the Common Stock, in accordance with the terms of the RSUs.

All directors are reimbursed for reasonable expenses of attending meetings.

EXHIBIT 10.2

EAGLE MATERIALS INC.

AMENDED AND RESTATED INCENTIVE PLAN

RESTRICTED STOCK AGREEMENT

Eagle Materials Inc., a Delaware corporation (the "Company"), and ____________ (the "Grantee") hereby enter into this Restricted Stock Award Agreement (the "Agreement") in order to set forth the terms and conditions of the Company's award (the "Award") to the Grantee of certain shares of Common Stock of the Company granted to the Grantee on August 5, 2020 (the "Award Date").

1. Award. The Company hereby awards to the Grantee ________ shares of Common Stock of the Company (the "Shares").

2. Relationship to the Plan. The Award shall be subject to the terms and conditions of the Eagle Materials Inc. Amended and Restated Incentive Plan (the “Plan”), this Agreement and such administrative interpretations of the Plan, if any, as may be in effect on the date of this Agreement. Except as defined herein, capitalized terms shall have the meanings ascribed to them under the Plan. For purposes of this Agreement:

(a) "Restriction Period" shall mean the period beginning on the Award Date and ending on the date immediately preceding the Vesting Date.

(b) "Retirement" shall mean termination of service on the Board at the Company's mandatory retirement age in accordance with the Company's director retirement policy or earlier on such terms and conditions as approved by the Committee.

3. Vesting.

(a) Vesting Criteria. The Grantee's interest in the Shares shall vest in full as of the earliest of (i) February 5, 2021; (ii) Grantee's Retirement; or (iii) Grantee's death (as applicable, the "Vesting Date"). Prior to the Vesting Date, all Shares shall be unvested Shares.

(b) Restrictions. During the Restriction Period, the Grantee may not sell, transfer, pledge, exchange, hypothecate, or otherwise dispose of any unvested Shares or any right or interest related to such unvested Shares, other than as required by the Grantee's will or beneficiary designation, in accordance with the laws of descent and distribution or by a qualified domestic relations order.

(c) Cancellation Right. The Grantee must be in continuous service as a Director from the Award Date through the Vesting Date for an unvested Share to become vested. Subject to Section 4, Grantee's discontinuation of service as a Director prior to the Vesting Date shall cause the unvested Shares to be automatically forfeited as of such discontinuation of service date.

4. Change in Control. The restrictions set forth above in Section 3 shall lapse with respect to the unvested Shares not previously forfeited and such Shares shall become fully vested without regard to

the limitations set forth in Section 3 above, provided that the Grantee has been in continuous service as a Director from the Award Date through the occurrence of a Change in Control (as defined in Exhibit A to this Agreement), unless either: (i) the Committee determines that the terms of the transaction giving rise to the Change in Control provide that the Award is to be replaced within a reasonable time after the Change in Control with an award of equivalent value of shares of the surviving parent corporation, or (ii) the Award is to be settled in cash in accordance with the last sentence of this Section 4. Upon a Change in Control, pursuant to Section 15 of the Plan, the Company may, in its discretion, settle the Award by a cash payment that the Committee shall determine in its sole discretion is equal to the fair market value of the Award on the date of such event.

5. Stockholder Rights. The Grantee shall have the right to vote the Shares. The Grantee shall also have the right to receive any cash dividends paid on the unvested Shares at the same time such amounts are paid with respect to all other shares of Common Stock; provided, the record date for such dividend payment is on or after the Award Date.

6. Capital Adjustments and Corporate Events. If, from time to time during the term of the Restriction Period, there is any capital adjustment affecting the outstanding Common Stock as a class without the Company's receipt of consideration, including as a result of a spin-off or business disposition, the Shares and other applicable terms of this Award shall be adjusted in accordance with the provisions of Section 15 of the Plan, which adjustment shall include (as may be applicable) without limitation, equitable adjustments to the type of property or securities to which the Award relates, in each case as determined by the Committee in its discretion. Any and all new, substituted or additional securities to which the Grantee may be entitled by reason of the Grantee's ownership of the Shares hereunder because of a capital adjustment shall be immediately subject to the restrictions set forth herein (as may be modified pursuant to this Agreement) and included thereafter as Shares for purposes of this Agreement.

7. Refusal to Transfer. The Company shall not be required:

(a) to transfer on its books any Shares that have been sold or otherwise transferred in violation of any of the provisions of this Agreement or the Plan; or

(b) to treat such purchaser or other transferee as owner of such Shares, accord such purchaser or other transferee the right to vote; or pay or deliver dividends or other distributions to such purchaser or other transferee with respect to such Shares.

8. Legends. If the Shares are certificated, the certificate or certificates evidencing the Shares, if any, issued hereunder shall be endorsed with the following legend:

> THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO CERTAIN RESTRICTIONS AND, ACCORDINGLY, MAY NOT BE SOLD, ASSIGNED, TRANSFERRED, ENCUMBERED, OR IN ANY MANNER DISPOSED OF EXCEPT IN CONFORMITY WITH THE TERMS OF THAT CERTAIN RESTRICTED STOCK AGREEMENT BETWEEN THE ISSUER AND THE ORIGINAL HOLDER OF THESE SHARES. A COPY OF SUCH AGREEMENT IS MAINTAINED AT THE ISSUER'S PRINCIPAL CORPORATE OFFICES.

9. Tax Consequences. The Grantee has reviewed with the Grantee's own tax advisors the federal, state, and local tax consequences of this investment and the transactions contemplated by this

Agreement. The Grantee is relying solely on such advisors and not on any statements or representations of the Company or any of its agents. The Grantee understands that the Grantee (and not the Company) shall be responsible for the Grantee's own tax liability that may arise as a result of the transactions contemplated by this Agreement. The Grantee understands that Section 83 of the Code taxes as ordinary income the difference between the purchase price, if any, for the Shares and the Fair Market Value of the Shares as of the date any restrictions on the Shares lapse. In this context, "restriction" means the restrictions imposed during the Restriction Period. The Grantee understands that the Grantee may elect to be taxed at the time the Shares are awarded rather than when and as the restrictions lapse by filing an election under Section 83(b) of the Code with the Internal Revenue Service within 30 days from the Award Date. THE GRANTEE ACKNOWLEDGES THAT IT IS THE GRANTEE'S SOLE RESPONSIBILITY (AND NOT THE COMPANY'S) TO FILE TIMELY THE ELECTION UNDER SECTION 83(B), EVEN IF THE GRANTEE REQUESTS THE COMPANY OR ITS REPRESENTATIVES TO MAKE THIS FILING ON THE GRANTEE'S BEHALF.

10. Entire Agreement; Governing Law. The Plan and this Agreement constitute the entire agreement of the Company and the Grantee (collectively, the "Parties") with respect to the subject matter hereof and supersede in their entirety all prior undertakings and agreements of the Parties with respect to the subject matter hereof, and may not be modified adversely to the Grantee's interest except by means of a writing signed by the Parties. Nothing in the Plan and this Agreement (except as expressly provided therein or herein) is intended to confer any rights or remedies on any person other than the Parties. The Plan and this Agreement are to be construed in accordance with and governed by the internal laws of the State of Texas, without giving effect to any choice-of-law rule that would cause the application of the laws of any jurisdiction other than the internal laws of the State of Texas to the rights and duties of the Parties. Should any provision of the Plan or this Agreement relating to the Shares be determined by a court of law to be illegal or unenforceable, such provision shall be enforced to the fullest extent allowed by law and the other provisions shall nevertheless remain effective and shall remain enforceable.

11. Interpretive Matters. Whenever required by the context, pronouns and any variation thereof shall be deemed to refer to the masculine, feminine, or neuter, and the singular shall include the plural, and vice versa. The term "include" or "including" does not denote or imply any limitation. The term "business day" means any Monday through Friday other than such a day on which banks are authorized to be closed in the State of Texas. The captions and headings used in this Agreement are inserted for convenience and shall not be deemed a part of the Award or this Agreement for construction or interpretation.

12. Notice. Any notice or other communication required or permitted hereunder shall be given in writing and shall be deemed given, effective, and received upon prepaid delivery in person or by courier or upon the earlier of delivery or the third business day after deposit in the United States mail if sent by certified mail, with postage and fees prepaid, addressed to the other Party at its address as shown beneath its signature in this Agreement, or to such other address as such Party may designate in writing from time to time by notice to the other Party.

13. Successors and Assigns. This Agreement shall bind and inure to the benefit of and be enforceable by the Grantee, the Company and their respective permitted successors and assigns (including personal representatives, heirs and legatees), except that the Grantee may not assign any rights or obligations under this Agreement except to the extent and in the manner expressly permitted herein.

[Signature page follows]

EAGLE MATERIALS INC.

Dated: August ___, 2020

By: ______________________________

Name: Michael R. Haack

Its: President and CEO

Address: 5960 Berkshire Ln., Suite 900
Dallas, Texas 75225

The Grantee acknowledges receipt of a copy of the Plan, represents that he or she is familiar with the terms and provisions thereof, and hereby accepts the Award subject to all of the terms and provisions hereof and thereof. The Grantee has reviewed this Agreement and the Plan in their entirety, has had an opportunity to obtain the advice of counsel prior to executing this Agreement, and fully understands all provisions of this Agreement and the Plan. The Grantee further agrees to notify the Company upon any change in the address for notice indicated in this Agreement.

GRANTEE

Dated: _____________, 2020

Signed: ______________________________

Name: ______________________________

Address: ______________________________

____

<u>EXHIBIT A</u>

CHANGE IN CONTROL

For the purpose of this Agreement, a "Change in Control" shall mean the occurrence of any of the following events:

(a) The acquisition by any Person of beneficial ownership of securities of the Company (including any such acquisition of beneficial ownership deemed to have occurred pursuant to Rule 13d-5 under the Exchange Act) if, immediately thereafter, such Person is the beneficial owner of (i) 50% or more of the total number of outstanding shares of any single class of Company Common Stock or (ii) 40% or more of the total number of outstanding shares of all classes of Company Common Stock, unless such acquisition is made (a) directly from the Company in a transaction approved by a majority of the members of the Incumbent Board or (b) by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company;

(b) Individuals who, as of the date hereof, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Company's stockholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board (or who is otherwise designated as a member of the Incumbent Board by such a vote) shall be considered as though such individual were a member of the Incumbent Board, except that any such individual shall not be considered a member of the Incumbent Board if his or her initial assumption of office occurs as a result of either an actual or threatened election contest (as such term is used in Rule 14a-11 of Regulation 14A promulgated under the Exchange Act) or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board;

(c) The consummation of a Business Combination, unless, immediately following such Business Combination, (i) more than 50% of both the total number of then outstanding shares of common stock of the parent corporation resulting from such Business Combination and the combined voting power of the then outstanding voting securities of such parent corporation entitled to vote generally in the election of directors will be (or is) then beneficially owned, directly or indirectly, by all or substantially all of the Persons who were the beneficial owners, respectively, of the outstanding shares of Company Common Stock immediately prior to such Business Combination in substantially the same proportions as their ownership immediately prior to such Business Combination of the outstanding shares of Company Common Stock, (ii) no Person (other than any employee benefit plan (or related trust) of the Company or any corporation resulting from such Business Combination) beneficially owns, directly or indirectly, 40% or more of the total number of then outstanding shares of common stock of the corporation resulting from such Business Combination or the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors and (iii) at least a majority of the members of the board of directors of the parent corporation resulting from such Business Combination were members of the Incumbent Board immediately prior to the consummation of such Business Combination; or

(d) Approval by the Board and the shareholders of the Company of (i) a complete liquidation or dissolution of the Company or (ii) a Major Asset Disposition (or, if there is no such approval by shareholders, consummation of such Major Asset Disposition) unless, immediately following such Major Asset Disposition, (A) Persons that were beneficial owners of the outstanding shares of Company Common Stock immediately prior to such Major Asset Disposition beneficially own, directly or indirectly, more than 50% of the total number of then outstanding shares of common stock and the combined voting power of the then outstanding shares of voting stock of the Company (if it continues to exist) and of the

Acquiring Entity in substantially the same proportions as their ownership immediately prior to such Major Asset Disposition of the outstanding shares of Company Common Stock; (B) no Person (other than any employee benefit plan (or related trust) of the Company or such entity) beneficially owns, directly or indirectly, 40% or more of the then outstanding shares of common stock or the combined voting power of the then outstanding voting securities of the Company (if it continues to exist) and of the Acquiring Entity entitled to vote generally in the election of directors and (C) at least a majority of the members of the Board of the Company (if it continues to exist) and of the Acquiring Entity were members of the Incumbent Board at the time of the execution of the initial agreement or action of the Board providing for such Major Asset Disposition.

For purposes of the foregoing,

(i) the term "*Person*" means an individual, entity or group;

(ii) the term "*group*" is used as it is defined for purposes of Section 13(d)(3) of the Exchange Act;

(iii) the terms "*beneficial owner*", "*beneficial ownership*" and "*beneficially own*" are used as defined for purposes of Rule 13d-3 under the Exchange Act;

(iv) the term "*Business Combination*" means (x) a merger, consolidation or share exchange involving the Company or its stock or (y) an acquisition by the Company, directly or through one or more subsidiaries, of another entity or its stock or assets;

(v) the term "*Company Common Stock*" shall mean the Common Stock, par value $.01 per share, of the Company;

(vi) the term "*Exchange Act*" means the Securities Exchange Act of 1934, as amended;

(vii) the phrase "*parent corporation resulting from a Business Combination*" means the Company if its stock is not acquired or converted in the Business Combination and otherwise means the entity which as a result of such Business Combination owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries;

(viii) the term "*Major Asset Disposition*" means the sale or other disposition in one transaction or a series of related transactions of 50% or more of the assets of the Company and its subsidiaries on a consolidated basis; and any specified percentage or portion of the assets of the Company shall be based on fair market value, as determined by a majority of the members of the Incumbent Board;

(ix) the term "*Acquiring Entity*" means the entity that acquires the largest portion of the assets sold or otherwise disposed of in a Major Asset Disposition (or the entity, if any, that owns a majority of the outstanding voting stock of such acquiring entity entitled to vote generally in the election of directors or members of a comparable governing body); and

(x) the phrase "*substantially the same proportions*," when used with reference to ownership interests in the parent corporation resulting from a Business Combination or in an Acquiring Entity, means substantially in proportion to the number of shares of Company Common Stock beneficially owned by the applicable Persons immediately prior to the Business Combination or Major Asset Disposition, but is not to be construed in such a manner as to require that the same ratio or number of shares of such parent corporation or Acquiring Entity be issued, paid or delivered in exchange for or in respect of the shares of each class of Company Common Stock.

Exhibit 31.1

Certification of Periodic Report Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Michael R. Haack, certify that:

1. I have reviewed this report on Form 10-Q of Eagle Materials Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures [as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)] and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: October 29, 2020

By: /s/ Michael R. Haack
Michael R. Haack
President and Chief Executive Officer

Exhibit 31.2

Certification of Periodic Report Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, D. Craig Kesler, certify that:

1. I have reviewed this report on Form 10-Q of Eagle Materials Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures [as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)] and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: October 29, 2020

By: /s/ D. Craig Kesler
D. Craig Kesler
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

Certification of Periodic Report Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report of Eagle Materials Inc. and subsidiaries (the “Company”) on Form 10-Q for the period ended September 30, 2020 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Michael R. Haack, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

(i) the Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: October 29, 2020

By: /s/ Michael R. Haack
Michael R. Haack
President and Chief Executive Officer

Exhibit 32.2

Certification of Periodic Report Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report of Eagle Materials Inc. and subsidiaries (the "Company") on Form 10-Q for the period ended September 30, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, D. Craig Kesler, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

(i) the Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: October 29, 2020

By: /s/ D. Craig Kesler
D. Craig Kesler
Chief Financial Officer
(Principal Financial Officer)

Exhibit 95

MINE SAFETY DISCLOSURE

Section 1503 of the Dodd-Frank Wall Street Reform and Consumer Protection Act contains reporting requirements regarding mine safety. The operation of our quarries is subject to regulation by the federal Mine Safety and Health Administration, or MSHA, under the Federal Mine Safety and Health Act of 1977, or the Mine Act. Set forth below is the required information regarding certain mining safety and health matters for the three-month period ended September 30, 2020 for our facilities. In evaluating this information, consideration should be given to factors such as: (i) the number of citations and orders will vary depending on the size of the quarry, (ii) the number of citations issued will vary from inspector-to-inspector and mine-to-mine, and (iii) citations and orders can be contested and appealed, and in that process, may be reduced in severity and amount, and are sometimes dismissed.

Mine or Operating Name/MSHA Identification Number	Section 104 S&S Citations	Section 104(b) Orders	Section 104(d) Citations and Orders	Section 110(b)(2) Violations	Section 107(a) Orders	Total Dollar Value of MSHA Assessments Proposed	Total Number of Mining Related Fatalities	Received Notice of Pattern of Violations Under Section 104(e) (yes/no)	Received Notice of Potential to Have Pattern Under Section 104(e) (yes/no)	Legal Actions Pending as of Last Day of Period	Legal Actions Initiated During Period	Legal Actions Resolved During Period
3D Concrete LLC Lander, NV (2602434)	0	0	0	0	0	$ 0	0	no	no	0	0	0
3D Concrete LLC Lyon, Nevada (2602412)	0	0	0	0	0	$ 0	0	no	no	0	0	0
American Gypsum Company LLC Albuquerque, NM (2900181)	0	0	0	0	0	$ 0	0	no	no	0	0	0
American Gypsum Company LLC Duke, OK (3400256)	1	0	0	0	0	$ 123	0	no	no	0	0	0
American Gypsum Company LLC Eagle, CO (0503997)	0	0	0	0	0	$ 0	0	no	no	0	0	0
Centex Materials LLC Buda, TX (4102241)	5	0	0	0	0	$ 615	0	no	no	0	0	0
Central Plains Cement Company Sugar Creek, MO (2302171)	14	0	0	0	0	$ 1,884	0	no	no	1(1)	1(1)	0
Central Plains Cement Company Tulsa, OK (3400026)	0	0	0	0	0	$ 0	0	no	no	0	0	0
Fairborn Cement Company LLC Greene County, OH (3300161)	15	0	0	0	0	$ 3,346	0	no	no	0	0	0
Great Northern Sand LLC (2) Barron Co., WI (4703646)	0	0	0	0	0	$ 0	0	no	no	0	0	0
Great Northern Sand LLC (2) Barron Co., WI (4703740)	0	0	0	0	0	$ 0	0	no	no	0	0	0
Illinois Cement Company LaSalle, IL (1100003)	14	0	0	0	0	$ 4,446	0	no	no	0	0	0
Kosmos Cement Company LLC Jefferson, KY (1504469)	0	0	0	0	0	$ 0	0	no	no	0	0	0
Mountain Cement Company LLC Laramie, WY (4800007)	0	0	0	0	0	$ 0	0	no	no	0	0	1(1)
Nevada Cement Company LLC Fernley, NV (2600015)	0	0	0	0	0	$ 0	0	no	no	0	0	0
Northern White Sand LLC (2) Utica, IL (1103253)	0	0	0	0	0	$ 0	0	no	no	0	0	0

(1) All legal actions were penalty contests.
(2) On September 18, 2020, Eagle Materials Inc. divested its frac sand business, including the mines operated by Northern White Sand LLC and Great Northern Sand LLC.