US CONCRETE INC
Form 10-K
March 04, 2016

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K
ý ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2015
or
o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _________ to _________.
Commission file number 001-34530

U.S. CONCRETE, INC.
(Exact name of registrant as specified in its charter)

Delaware	76-0586680
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

331 N. Main Street, Euless, Texas 76039
(Address of principal executive offices) (Zip code)
Registrant's telephone number, including area code: (817) 835-4105
Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, par value $.001	The Nasdaq Capital Market

Securities registered pursuant to Section 12(g) of the Act: None
Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes o No þ
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No þ
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 þ No o
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes þ No o
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer o	Accelerated filer þ	Non-accelerated filer o	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act.) Yes o No þ

Aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant computed by reference to the last reported sale price of $37.89 of the registrant's common stock as of June 30, 2015, the last business day of the registrant's most recently completed second fiscal quarter: $508,425,677. For purposes of this computation, all officers, directors and 10% beneficial owners of the registrant are deemed to be affiliates. Such determination should not be deemed an admission that such officers, directors or 10% beneficial owners are, in fact, affiliates of the registrant.

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes þ No ¨

There were 15,194,236 shares of common stock, par value $.001 per share, of the registrant outstanding as of March 2, 2016.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement related to the registrant's 2016 Annual Meeting of Stockholders, to be filed with the Securities and Exchange Commission pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended, are incorporated by reference into Part III of this report.

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Cautionary Statement Concerning Forward-Looking Statements

Certain statements and information in this Annual Report on Form 10-K may constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements include, without limitation, statements concerning plans, objectives, goals, projections, strategies, future events or performance, and underlying assumptions and other statements, which are not statements of historical facts. In some cases, you can identify forward-looking statements by terminology such as "may," "will," "should," "expect," "plan," "anticipa "believe," "estimate," "predict," "potential" or "continue," the negative of such terms or other comparable terminology. These forward-looking statements are based on our current expectations and beliefs concerning future developments and their potential effect on us. While management believes that these forward-looking statements are reasonable as and when made, there can be no assurance that future developments affecting us will be those that we anticipate. All comments concerning our expectations for future revenues and operating results are based on our forecasts for our existing operations and do not include the potential impact of any future acquisitions. Our forward-looking statements involve significant risks and uncertainties (some of which are beyond our control) and assumptions that could cause actual results to differ materially from our historical experience and our present expectations or projections.

Important factors that could cause actual results to differ materially from those in the forward-looking statements include, but are not limited to, those summarized below:

- general economic and business conditions, which will, among other things, affect demand for new residential and commercial construction;
- our ability to successfully identify, manage, and integrate acquisitions;
- the cyclical nature of, and changes in, the real estate and construction markets, including pricing changes by our competitors;
- governmental requirements and initiatives, including those related to mortgage lending or mortgage financing, funding for public or infrastructure construction, land usage, and environmental, health, and safety matters;
- disruptions, uncertainties or volatility in the credit markets that may limit our, our suppliers' and our customers' access to capital;
- our ability to successfully implement our operating strategy;
- weather conditions;
- our substantial indebtedness and the restrictions imposed on us by the terms of our indebtedness;
- our ability to maintain favorable relationships with third parties who supply us with equipment and essential supplies;
- our ability to retain key personnel and maintain satisfactory labor relations; and
- product liability, property damage, and other claims and insurance coverage issues.

Known material factors that could cause our actual results to differ from those in the forward-looking statements include those described in "Risk Factors" in Part I, Item 1A.

Readers are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date hereof. We undertake no obligation to publicly update or revise any forward-looking statements after the date they are made, whether as a result of new information, future events or otherwise, except as required by federal securities laws.

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PART I

Item 1. Business

In this report, we refer to U.S. Concrete, Inc. and its subsidiaries as "we," "us," the "Company," or "U.S. Concrete," unless we specifically state otherwise or the context indicates otherwise. U.S. Concrete, Inc. is a Delaware corporation which was incorporated in 1997. We began operations in 1999, which is the year we completed our initial public offering.

General

We are a leading producer of ready-mixed concrete in select geographic markets in the United States. We operate our business through two primary segments: ready-mixed concrete and aggregate products. Ready-mixed concrete is an important building material that is used in the vast majority of commercial, residential and public works construction projects. Aggregates are a raw material used in the production of ready-mixed concrete.

We serve substantially all segments of the construction industry in our select geographic markets. Our customers include contractors for commercial and industrial, residential, street and highway and other public works construction. Concrete product revenue by type of construction activity for the year ended December 31, 2015 was approximately 57% commercial and industrial, 28% residential and 15% street, highway and other public works.

We operate principally in Texas, northern California and New York / New Jersey, with those markets representing approximately 40%, 29%, and 26%, respectively, of our consolidated revenue for the year ended December 31, 2015. We believe we are well positioned for strong growth in these attractive regions and segments. According to estimates from the Portland Cement Association ("PCA"), the states in which we operate represent a total of approximately 27% of the 2015 consumption of ready-mixed concrete in the United States, which favorably positions us to capture additional market share in this fragmented industry. Total revenue from continuing operations for the year ended December 31, 2015 was $974.7 million, of which we derived approximately 89.9% from our ready-mixed concrete segment, 3.5% from our aggregate products segment (excluding $26.2 million sold internally) and 6.6% from our other operations. For the year ended December 31, 2015, our net income was $25.5 million, our net income from continuing operations was $25.8 million, and our Adjusted EBITDA (as defined herein) was $131.9 million. Please see "Basis of Presentation" in Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations and Note 19, "Business Segments," to our consolidated financial statements in this report for additional information regarding and a reconciliation of Adjusted EBITDA.

As of December 31, 2015, we operate 144 standard ready-mixed concrete plants, 16 volumetric ready-mixed concrete facilities, 14 producing aggregates facilities, three aggregates distribution terminals, two lime slurry facilities, and one recycled aggregates facility. During the year ended December 31, 2015, these plants and facilities produced approximately 7.0 million cubic yards of ready-mixed concrete and 4.7 million tons of aggregates. We lease two other aggregates facilities to third parties and retain a royalty on production from those facilities. As of December 31, 2015, we operated over 1,360 drum mixer trucks and 119 volumetric mixer trucks. For additional information related to our properties, see Item 2. Properties of this report.

Acquisitions

In the second quarter of 2015, we acquired Ferrara Bros. Building Materials Corp. ("Ferrara Bros."), located in New York, New York and Colonial Concrete Co. ("Colonial"), located in Newark, New Jersey. These acquisitions included ten ready-mixed concrete plants at seven locations and a fleet of 129 mixer trucks. These acquisitions expand our business in the New York metropolitan and northern New Jersey markets and allow us to more effectively serve construction projects in these areas.

In the fourth quarter of 2015, we acquired two strategically integrated ready-mixed concrete producers located in the U.S. Virgin Islands, Heavy Materials, LLC ("Heavy") and Spartan Concrete Products, LLC ("Spartan"). These acquisitions included five ready-mixed concrete plants, a fleet of 48 mixer trucks, and two quarries with total aggregates reserves of approximately 40 million tons. The Heavy acquisition also included leases for an industrial waterfront property that is utilized as a marine terminal and sales yard. These acquisitions expanded our ready-mixed concrete and aggregates operations into new markets in the Caribbean islands.

During 2015, we also expanded our ready-mixed concrete operations in our northern California market with the acquisition of Right Away Redy Mix, Inc. ("Right Away"), located in Oakland, California and in our Washington, D.C. market with the

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acquisition of DuBrook Concrete, Inc. ("DuBrook"), located in Chantilly, Virginia. The Right Away acquisition included four ready-mixed concrete facilities, 49 mixer trucks and a fleet of transfer trucks used to transport cement and aggregates. The DuBrook acquisition included three ready-mixed concrete plants and a fleet of 42 mixer trucks.

Also in 2015, we expanded our aggregates operations with the acquisition of Wantage Stone (“Wantage”) located in New Jersey and two sand and gravel operations in our west Texas and southern Oklahoma markets. The Wantage acquisition included an 80 acre quarry along with mining rights to an additional 77 acres of land located in Hamburg, New Jersey.

During 2014, we acquired New York Sand and Stone, LLC ("NYSS") which included the assignment of leases to operate two existing aggregate distribution terminals on the East River in Brooklyn, New York. This acquisition allowed us to more efficiently deliver raw materials to our ready-mixed concrete production facilities as well as to our customers. Our aggregates distribution operations are included in our non-reportable segments. Also during 2014, we completed two acquisitions in New York that increased our presence in the Staten Island ready-mixed concrete market.

Also in 2014, in our west Texas market, we acquired four ready-mixed operations in Abilene, Wichita Falls, and Brady, Texas. The addition of these operations expanded our footprint in the west Texas market. To further broaden our ready-mixed concrete delivery offerings in our Texas market, during the fourth quarter of 2014, we acquired the assets of Custom-Crete ("Custom-Crete"), with operations in Dallas / Fort Worth, Houston, San Antonio, and Austin, Texas from Oldcastle Architectural, Inc., a wholly owned subsidiary of CRH plc, and the assets of Mobile-Crete of South Texas, LLC and Scofield Construction Services, LLC, with operations in San Antonio, Austin, and south Texas. Through these acquisitions, we added 16 volumetric ready-mixed concrete facilities and approximately 109 volumetric mixer trucks. These operations expanded our presence into all of the major metropolitan markets in Texas and provide us with the capability to deliver ready-mixed concrete to our customers via on-site batching and mixing to customer specifications.

In March 2014, we commenced operations at our Red River sand facility on the Texas / Oklahoma border, which we green fielded during the fourth quarter of 2013. This facility provides sand to our Texas and Oklahoma ready-mixed concrete operations and customers.

In 2013, we completed one acquisition in our north Texas market that resulted in the addition of three ready-mixed concrete plants and related assets and inventory. This acquisition allowed us to expand our operations in our north Texas market.

Divestitures

In June 2015, we completed the sale of substantially all of our assets associated with our one remaining precast concrete operation in Pennsylvania, which were classified as held for sale as of December 31, 2014.

Recent Developments

On February 29, 2016, we completed the acquisition of all the assets of Greco Brothers Concrete of L.I., Inc. ("Greco"), in Brooklyn, New York. The purchase price was $15.8 million in cash, plus closing adjustments of $0.9 million. We funded the purchase through a combination of cash on hand and borrowings on our $250.0 million asset-based revolving credit facility (the "Revolving Facility"). Greco operates two ready-mixed concrete plants and a fleet of 37 mixer trucks. The Greco acquisition further expands our ready-mixed concrete operations in our existing New York market.

Competitive strengths

Large, high quality asset base in attractive markets with favorable construction environments. Our assets are primarily focused in the Texas / Oklahoma, northern California, New York / New Jersey / Washington, D.C., and U. S. Virgin Islands markets. Our high quality asset base is comprised of 81 ready-mixed concrete plants, 16 volumetric ready-mixed concrete plants, and eight aggregates facilities in Texas / Oklahoma, 22 ready-mixed concrete plants in northern California, 36 ready-mixed concrete plants, four aggregates facilities, three aggregates distribution terminals, and one recycled aggregates facility in New York / New Jersey / Washington, D.C., five ready-mixed concrete plants and two aggregates facilities in the U.S. Virgin Islands; as well as over 1,360 operated drum mixer trucks and 119 operated volumetric mixer trucks. We believe the scale and quality of our asset base, in addition to our product differentiation, on-time deliveries, competitive all-in delivered cost, servicing and reliability differentiate us and allow us to meet the needs of both large and small jobs for a wide range of clients in multiple end-use markets.

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Growth in our Texas / Oklahoma markets is largely driven by construction demand in the transportation, financial and other professional services, and manufacturing sectors; growth in our northern California market is driven largely by the technology sector; and growth in our New York / New Jersey / Washington, D.C. markets is driven by the financial services and government sectors, respectively. In addition, all of our markets currently exhibit healthy residential trends supported by a number of factors, including population growth, decreases in unemployment, low mortgage and other interest rates, rising home prices and increasing construction activity. We believe that our better-than-average growth is driven by key industry sectors within our markets, which generally benefit from year-round construction.

Favorable exposure to commercial projects with higher margins and barriers to entry. We bid for and routinely win supply contracts for some of the largest, most prestigious commercial projects. Some of the larger commercial projects we have worked on include:

- The San Francisco Bay Bridge in Oakland, California
- Lyndon B. Johnson Expressway in Dallas / Fort Worth, Texas
- World Trade Center Complex in Manhattan, New York
- Tappan Zee Bridge, New York
- San Francisco 49er Stadium in Santa Clara, California
- Lucile Packard Children's Hospital at Stanford in Palo Alto, California
- Hudson Yards Complex in Manhattan, New York
- Pacific Park Brooklyn in Brooklyn, New York
- Toyota North American Headquarters in Frisco, Texas

These types of projects have higher margins and barriers to entry due to rigorous specifications, increased complexity, high customization requirements and significant volume capacity needs.

We provide alternative solutions for designers and contractors by offering value-added concrete products such as color-conditioned, fiber-reinforced, steel-reinforced and high-performance concrete. We believe this enhances our ability to become exposed to, and win supply contracts for, some of the largest commercial projects that have high barriers to entry.

Long-term customer relationships. Our management and sales personnel develop and maintain successful long-term relationships with our key customers. Customer concentration in our key markets allows us to better serve our new and existing customers with expedited delivery and lower transportation costs and scale efficiencies. Key elements of our customer-focused approach include:

- corporate-level marketing and sales expertise;
- technical service expertise to develop innovative new branded products; and
- training programs that emphasize successful marketing and sales techniques that focus on the sale of high-margin concrete mix designs.

We estimate that the average length of our top 15 customer relationships is approximately 20 years. We further estimate that most of our top 35 customers have relationships that extend past five years, with many customer relationships surpassing 20 years of loyalty. Our customer engagement model results in contractors returning year-after-year to us as a supplier they can trust. Despite our concentrated and loyal customer base, in 2015, no single customer or project accounted for more than 10% of our total revenue. Our broad, yet targeted, customer base enables us to develop an efficient, stable business model and tap into the market in a variety of ways. Our 2015 revenue was split between (i) commercial and industrial, (ii) residential and (iii) street and highway construction contractors and other public works. We believe that by providing high quality, reliable services and customized products and solutions, we are able to continuously maintain important long-term relationships.

Focus on environmental sustainability. We are a leader in the sustainable concrete market, and we expect domestic and global sustainable demand to continue to grow at attractive rates. In 2008, we initiated our environmentally friendly concrete ("EF Technology") initiative which promotes green building and construction. Our EF Technology ready-mixed concrete products replace a portion of the traditional cement components with reclaimed fly ash, slag and other materials that results in lower carbon dioxide emissions. We believe this leads to an environmentally superior and sustainable alternative to traditional ready-mixed concrete for our customers' consumption. We believe EF Technology reduces greenhouse gases and landfill space consumption and produces a highly durable product. Customers can also receive LEED credits for the use of this technology.

We believe our use of technology creates a competitive advantage over smaller concrete producers and larger vertically integrated aggregates and cement companies that do not focus on this as a first solution. We are positioned to take advantage

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of the growing demand for these products which could result in an increase in our revenue and profits and expansion of our operating margins, as these higher-priced value-added products are a lower cost alternative to cement. Today, we are a charter member of the Carbon Leadership Forum and the first ready-mixed concrete company in North America to adopt and receive verified Environmental Product Declarations for our concrete mixes, and we employ extensive sustainable operational practices across our enterprise. We are also a supporter of the National Ready Mixed Concrete Association ("NRMCA") Green-Star program, a plant-specific certification program that utilizes an environmental management system based on a model of continual improvement.

Conservative balance sheet and ample liquidity. We have successfully improved our financial performance by refocusing our financial objectives over the last five years. Our management team has extensive experience in the industry as does our board of directors. Our management team has focused on reducing our cost structure while expanding our existing and acquired businesses in our core operating regions to drive strong performance. As a result, we have grown revenue, improved profit margins and increased liquidity during the last five years. In addition to cash on hand, we benefit from significant liquidity through our revolving credit facility and cash flow from operations. We believe our conservative balance sheet and liquidity will allow us to take advantage of strategic opportunities as well as provide ample cushion against general downturns in economic activity.

Experienced management team. Our senior management team consists of ten executives with an average of 19 years of industry experience and is comprised of individuals with a proven track record in the construction materials industry. Our Chief Executive Officer, William J. Sandbrook, has approximately 24 years of experience in the construction materials industry. Our management team’s deep market knowledge enables us to effectively assess potential new opportunities in order to solidify our leading market presence. We will continue to focus on recruiting and retaining motivated and knowledgeable professional managers to continue to develop our business and maintain our leading market position.

Company strategy

Focus on core operations. We believe the best opportunities for future growth lie within our core ready-mixed concrete and aggregates businesses. We routinely evaluate our existing assets and business units to ensure we continue to maintain a best-in-class operation. During 2015, we divested the last of our precast businesses so as to continue our focus on ready-mixed concrete and aggregates. We will continue to invest in our business, both in physical plants and new technologies, and we will continue to evaluate both organic and strategic acquisition opportunities. We believe our focus on optimizing the performance of our ready-mixed concrete segment will continue to differentiate us from our larger, integrated competitors that focus principally on their aggregates or cement segments and treat ready-mixed concrete operations as a downstream outlet for their aggregates or cement products.

Pursue growth. In addition to our general organic growth initiative, we continuously evaluate both acquisition and partnership opportunities. We are focused on both strengthening our positions in existing markets as well as identifying attractive new markets. All of our acquisitions must meet our strict criteria, including fit with our strategic plan, investment return hurdles, capital requirements and attractive market attributes. During 2015, we completed eight acquisitions that expanded our operations in our existing markets and into the U.S. Virgin Islands market. Most notably, we acquired Ferrara, which significantly expanded our footprint in the New York metropolitan market and allows us to more effectively serve construction projects in Manhattan. In addition, we expanded into the U.S. Virgin Islands market with our acquisition of Heavy. We believe our significant experience, positive reputation and strong management team will allow us to continue our successful track record of identifying opportunities, integrating acquisitions, realizing synergies and enhancing asset value and cash flow.

Manage costs. We are consistently seeking opportunities to reduce costs and to improve margins through our focus on existing operations and new technologies. Additionally, our regional acquisitions allow for synergies such as selling, general, and administrative reductions, economies of scale, variable labor savings, and purchasing power. We believe by aggressively managing our cost structure we can best serve our clients with better pricing and continued best-in-class execution.

Business segments and products

We operate our business through two primary segments: ready-mixed concrete and aggregate products. For financial information about our operating segments, refer to the information set forth in Note 19, "Business Segments," to our consolidated financial statements included in this report. We derive all of our revenue from operations in the United States and its U.S. territories, and all of our long-lived assets are located within the United States and its U.S. territories.

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Ready-mixed concrete

General

Our ready-mixed concrete segment engages principally in the formulation, preparation and delivery of ready-mixed concrete to our customers' job sites. We provide our ready-mixed concrete from our operations in Texas, northern California, New York, New Jersey, Washington, D.C., Oklahoma, and the U.S. Virgin Islands. Ready-mixed concrete is a highly versatile construction material that results from combining coarse and fine aggregates, such as gravel, crushed stone and sand, with water, various chemical admixtures and cement. We also provide services intended to reduce our customers' overall construction costs by lowering the installed, or "in-place," cost of concrete. These services include the formulation of mixtures for specific design uses, on-site and lab-based product quality control, and customized delivery programs to meet our customers' needs. We generally do not provide paving or other finishing services, which construction contractors or subcontractors typically perform.

Products and services

Our standard ready-mixed concrete products consist of proportioned mixes we produce and deliver in an unhardened plastic state for placement and shaping into designed forms at the job site. Selecting the optimum mix for a job entails determining not only the ingredients that will produce the desired permeability, strength, appearance and other properties of the concrete after it has hardened and cured, but also the ingredients necessary to achieve a workable consistency considering the weather and other conditions at the job site. We believe we can achieve product differentiation for the mixes we offer because of the variety of mixes we can produce, our volume production capacity and our scheduling, delivery and placement reliability. Additionally, we believe EF Technology initiative, which utilizes alternative materials and mix designs that result in lower carbon dioxide, or CO2 emissions, helps differentiate us from our competitors. We also believe we distinguish ourselves with our value-added service approach that emphasizes reducing our customers' overall construction costs by reducing the in-place cost of concrete and the time required for construction.

Our volumetric concrete operations, which we acquired in 2014, expanded our ready-mixed concrete delivery and service offerings in Texas. Volumetric ready-mixed concrete trucks mix concrete to the customer's specification on the job site, better serving smaller jobs and specialized applications, and allowing flexibility for servicing remote job locations. Because of their versatility, these trucks offer the contractor multiple options for a single job without the inconvenience or added costs typically associated with standard ready-mixed trucks delivering special or short-loads to a job site. Because of their unique on-demand production capabilities, these trucks minimize the amount of wasted concrete, which improves margins and reduces environmental impact.

From a contractor's perspective, the in-place cost of concrete includes both the amount paid to the ready-mixed concrete manufacturer and the internal costs associated with the labor and equipment the contractor provides. A contractor's unit cost of concrete is often only a small component of the total in-place cost that takes into account all the labor and equipment costs required to build the forms for the ready-mixed concrete and place and finish the ready-mixed concrete, including the cost of additional labor and time lost as a result of substandard products or delivery delays not covered by warranty or insurance. By carefully designing proper mixes and using advances in mixing technology, we can assist our customers in reducing the amount of reinforcing steel, time and labor they will require in various applications.

We provide a variety of services in connection with our sale of ready-mixed concrete that can help reduce our customers' in-place cost of concrete. These services include:

- production of formulations and alternative product recommendations that reduce labor and materials costs;

- quality control, through automated production and laboratory testing, that ensures consistent results and minimizes the need to correct completed work; and
- automated scheduling and tracking systems that ensure timely delivery and reduce the downtime incurred by the customer's placing and finishing crews.

We produce ready-mixed concrete by combining the desired type of cement, other cementitious materials (described below), sand, gravel, and crushed stone with water and, typically, one or more admixtures. These admixtures, such as chemicals, minerals and fibers, determine the usefulness of the product for particular applications.

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We use a variety of chemical admixtures to achieve one or more of the following five basic purposes:

- relieve internal pressure and increase resistance to cracking;
- retard the hardening process to make concrete more workable in hot weather;
- strengthen concrete by reducing its water content;
- accelerate the hardening process and reduce the time required for curing; and
- facilitate the placement of concrete having low water content.

We frequently use various mineral admixtures as supplements to cement, which we refer to as supplemental cementitious materials, to alter the permeability, strength and other properties of concrete. These materials include fly ash, ground granulated blast-furnace slag, silica fume and other natural pozzolans. These materials also reduce the amount of cement content used, which results in a reduction in CO_2 emissions.

We also use fibers, such as steel, glass, synthetic and carbon filaments as additives in various formulations of concrete. Fibers help control shrinkage cracking, thus reducing permeability and improving abrasion resistance. In many applications, fibers can replace welded steel wire and reinforcing bars. Relative to the other components of ready-mixed concrete, these additives generate comparatively higher margins.

Marketing and sales

Our marketing efforts primarily target concrete sub-contractors, general contractors, governmental agencies, property owners and developers, architects, engineers, and home builders whose focus extends beyond the price of ready-mixed concrete to product quality, on-time delivery and reduction of in-place costs.

General contractors typically select their suppliers of ready-mixed concrete. In large, complex projects, an engineering firm or division within a state transportation or public works department may influence the purchasing decision, particularly if the concrete has complicated design specifications. In connection with large, complex projects and in government-funded projects generally, the general contractor or project engineer usually awards supply orders on the basis of either direct negotiation or a competitive bidding process. We believe the purchasing decision for many jobs ultimately is relationship and reputation-based.

Our marketing and sales strategy emphasizes the sale of value-added products and solutions to customers more focused on reducing their in-place building material costs than on the price per cubic yard of ready-mixed concrete. Key elements of our customer-focused approach include:

- corporate-level marketing and sales expertise;
- technical service expertise to develop innovative, new branded products; and
- training programs that emphasize successful marketing and sales techniques that focus on the sale of high-margin concrete mix designs.