US CONCRETE INC
Form 10-Q
November 10, 2008

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, 2008

Commission File Number 000-26025

U.S. CONCRETE, INC.

A Delaware Corporation

IRS Employer Identification No. 76-0586680

2925 Briarpark, Suite 1050
Houston, Texas 77042
(713) 499-6200

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 ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company (as defined in Rule 12b-2 of the Exchange Act).
Large accelerated filer ¨ Accelerated filer þ Non-accelerated filer ¨ Smaller reporting company ¨

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

As of the close of business on November 5, 2008, U.S. Concrete, Inc. had 36,715,183 shares of its common stock, $0.001 par value, outstanding (excluding treasury shares of 443,025).

U.S. CONCRETE, INC.

INDEX

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

U.S. CONCRETE, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)
(in thousands)

	September 30, 2008	December 31, 2007
ASSETS		
Current assets:		
Cash and cash equivalents	$ 3,907	$ 14,850
Trade accounts receivable, net	125,682	102,612
Inventories, net	36,430	32,557
Deferred income taxes	16,289	10,937
Prepaid expenses	5,619	5,256
Other current assets	9,379	11,387
Assets held for sale	—	7,273
Total current assets	197,306	184,872
Property, plant and equipment, net	275,793	267,010
Goodwill	191,365	184,999
Other assets, net	9,202	10,375
Total assets	$ 673,666	$ 647,256
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current maturities of long-term debt	$ 3,868	$ 3,172
Accounts payable	55,239	48,160
Accrued liabilities	60,466	45,411
Total current liabilities	119,573	96,743
Long-term debt, net of current maturities	295,990	295,328
Other long-term liabilities and deferred credits	8,477	9,125
Deferred income taxes	31,713	26,763
Total liabilities	455,753	427,959
Commitments and contingencies (Note 11)		
Minority interest in consolidated subsidiary (Note 4)	11,547	14,192
Stockholders' equity:		
Preferred stock	—	—
Common stock	40	39
Additional paid-in capital	269,720	267,817
Retained deficit	(60,371)	(60,118)
Treasury stock, at cost	(3,023)	(2,633)
Total stockholders' equity	206,366	205,105

Total liabilities and stockholders' equity	$ 673,666	$ 647,256

The accompanying notes are an integral part of these condensed consolidated financial statements.

U.S. CONCRETE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)
(in thousands, except per share amounts)

	Three Months Ended September 30, 2008	Three Months Ended September 30, 2007	Nine Months Ended September 30, 2008	Nine Months Ended September 30, 2007
Sales	$ 212,819	$ 238,085	$ 580,973	$ 605,087
Cost of goods sold before depreciation, depletion and amortization	176,324	192,500	488,025	497,515
Selling, general and administrative expenses	19,322	17,164	55,095	49,783
Depreciation, depletion and amortization	7,850	7,547	21,763	21,489
Income from operations	9,323	20,874	16,090	36,300
Interest expense, net	6,747	7,036	20,121	21,091
Other income, net	578	566	1,628	2,950
Income (loss) before income taxes and minority interest	3,154	14,404	(2,403)	18,159
Income tax provision	1,248	4,563	346	6,139
Minority interest in consolidated subsidiary	184	(287)	(2,645)	72
Income (loss) from continuing operations	1,722	10,128	(104)	11,948
Loss from discontinued operations (net of tax benefit of $0 and $81 in 2008, and $54 and $537 in 2007)	—	(84)	(149)	(809)
Net income (loss)	$ 1,722	$ 10,044	$ (253)	$ 11,139
Earnings per share – Basic				
Income from continuing operations	$ 0.04	$ 0.26	$ —	$ 0.31
Loss from discontinued operations, net of income tax benefit	—	—	—	(0.02)
Net income	$ 0.04	$ 0.26	$ —	$ 0.29
Earnings per share – Diluted				
Income from continuing operations	$ 0.04	$ 0.26	$ —	$ 0.31
Loss from discontinued operations, net of income tax benefit	—	—	—	(0.02)
Net income	$ 0.04	$ 0.26	$ —	$ 0.29
Number of shares used in calculating earnings per share:				
Basic	38,808	38,341	38,702	38,186
Diluted	39,389	39,004	38,702	38,894

The accompanying notes are an integral part of these condensed consolidated financial statements.

3

U.S. CONCRETE, INC.
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
(Unaudited)
(in thousands)

	Common Stock Shares	Common Stock Par Value	Additional Paid-In Capital	Retained Deficit	Treasury Stock	Total Stockholders' Equity
BALANCE, December 31, 2007	39,361	$ 39	$ 267,817	$ (60,118)	$ (2,633)	$ 205,105
Employee purchase of ESPP shares	93	—	376	—	—	376
Stock-based compensation	560	1	2,230	—	—	2,231
Purchase of treasury shares	(106)	—	—	—	(390)	(390)
Cancellation of shares	(207)	—	(703)	—	—	(703)
Net loss	—	—	—	(253)	—	(253)
BALANCE, September 30, 2008	39,701	$ 40	$ 269,720	$ (60,371)	$ (3,023)	$ 206,366

The accompanying notes are an integral part of these condensed consolidated financial statements.

U.S. CONCRETE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(in thousands)

	Nine Months Ended September 30, 2008	Nine Months Ended September 30, 2007
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	$ (253)	$ 11,139
Adjustments to reconcile net income (loss) to net cash provided by operations:		
Depreciation, depletion and amortization	21,763	23,186
Debt issuance cost amortization	1,250	1,151
Net (gain) loss on sale of property, plant and equipment	(892)	49
Deferred income taxes	(402)	3,669
Provision for doubtful accounts	996	1,716
Stock-based compensation	2,231	2,116
Excess tax benefits from stock-based compensation	—	(22)
Minority interest in consolidated subsidiary	(2,645)	72
Changes in operating assets and liabilities, net of acquisitions:		
Trade accounts receivable, net	(22,138)	(34,157)
Inventories, net	(3,431)	1,835
Prepaid expenses and other current assets	1,540	(3,196)
Other assets, net	126	(70)
Accounts payable and accrued liabilities	21,369	9,991
Net cash provided by operations	19,514	17,479
CASH FLOWS FROM INVESTING ACTIVITIES:		
Property, plant and equipment, net of disposals of $3,350 and $2,174	(16,846)	(17,113)
Disposal of business unit	7,583	—
Payments for acquisitions, net of cash received of $1,000 in 2007	(21,778)	(8,265)
Other investing activities	103	(227)
Net cash used in investing activities	(30,938)	(25,605)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from borrowings	6,282	13,122
Repayments of capital leases and notes payable	(4,924)	(7,829)
Proceeds from issuances of common stock under compensation plans	376	1,471
Excess tax benefits from stock-based compensation	—	22
Shares purchased under common stock buyback program	(703)	—
Purchase of treasury shares	(390)	(715)
Other financing activities	(160)	(217)
Net cash provided by financing activities	481	5,854
NET DECREASE IN CASH AND CASH EQUIVALENTS	(10,943)	(2,272)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	14,850	8,804
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 3,907	$ 6,532

The accompanying notes are an integral part of these condensed consolidated financial statements.

5

U.S. CONCRETE, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

The accompanying condensed consolidated financial statements include the accounts of U.S. Concrete, Inc. and its subsidiaries and have been prepared by us, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC"). We include in our condensed consolidated financial statements, the results of operations, balance sheets and cash flows of our 60%-owned Michigan subsidiary. We reflect the minority owner's 40% interest in results of operations, net assets and cash flows of our Michigan subsidiary as minority interest in consolidated subsidiary in our condensed consolidated financial statements. Some information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to the SEC's rules and regulations, although our management believes that the disclosures made are adequate to make the information presented not misleading. These unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes in our annual report on Form 10-K for the year ended December 31, 2007 (the "2007 Form 10-K"). In the opinion of our management, all adjustments necessary to state fairly the information in our unaudited condensed consolidated financial statements have been included. Operating results for the three- and nine-month periods ended September 30, 2008 are not necessarily indicative of our results expected for the year ending December 31, 2008.

The preparation of financial statements and accompanying notes in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions in determining the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. SIGNIFICANT ACCOUNTING POLICIES

For a description of our accounting policies, see Note 1 of the consolidated financial statements in the 2007 Form 10-K, as well as Note 13 below.

3. DISCONTINUED OPERATIONS

In the fourth quarter of 2007, we entered into definitive agreements to dispose of three of our ready-mixed concrete business units. In November 2007, we sold our Knoxville, Tennessee and Wyoming, Delaware business units. The sale of the third unit, headquartered in Memphis, Tennessee, occurred on January 31, 2008. All three units were part of our ready-mixed concrete and concrete-related products segment. We classified all three business units sold as discontinued operations beginning in the fourth quarter of 2007 and presented the results of operations, net of tax, as discontinued operations in the accompanying condensed consolidated statements of operations for all periods presented. The results of discontinued operations included in the accompanying condensed consolidated statements of operations were as follows for the three and nine months ended September 30 (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
Sales	$ —	$ 12,205	$ 671	$ 37,825
Operating expenses	—	12,343	1,395	39,171
Gain on disposal of assets	—	—	494	—
Loss from discontinued operations, before income tax	—	(138)	(230)	(1,346)

benefit								
Income tax benefits from discontinued operations		—		(54)		(81)		(537)
Loss from discontinued operations, net of tax	$	—	$	(84)	$	(149)	$	(809)

The following table summarizes the carrying amount as of December 31, 2007 of the major classes of assets of the Memphis, Tennessee business unit we classified as held for sale (in thousands):

		December 31, 2007
Assets held for sale:		
Inventories, net	$	401
Property, plant and equipment, net		6,872
Total assets held for sale	$	7,273

6

U.S. CONCRETE, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4. BUSINESS COMBINATIONS

In August 2008, we acquired a ready-mixed concrete operation in Mount Vernon, New York and a precast concrete operation in San Diego, California. We used cash on hand to fund the purchase prices of $1.9 million and $2.5 million, respectively.

In June 2008, we acquired nine ready-mixed concrete plants, together with related real property, rolling stock and working capital, in our west Texas market from another ready-mixed concrete producer for approximately $13.5 million. We used cash on hand and borrowings under our existing credit facility to fund the purchase price.

In May 2008, we paid $1.4 million of contingent purchase consideration related to real estate acquired pursuant to the acquisition of Builders' Redi-Mix, Inc. in January 2003.

In January 2008, we acquired a ready-mixed concrete operation in Staten Island, New York. We used cash on hand to fund the purchase price of approximately $1.8 million.

In October 2007, we completed the acquisition of the operating assets, including working capital and real property of Architectural Precast, LLC ("API"), a leading designer and manufacturer of premium quality architectural and structural precast concrete products serving the Atlantic region. We used borrowings under our revolving credit facility to fund the cash purchase price of approximately $14.5 million. The purchase agreement provides for up to $1.5 million in additional purchase consideration, which is contingent on API attaining established earnings targets in each of 2008 and 2009. For the quarter ended September 30, 2008, API attained 50% of its established earnings target, and we expect to pay out $750,000 in the first quarter of 2009.

In April 2007, several of our subsidiaries entered into agreements with the Edw. C. Levy Co. ("Levy") relating to the formation of a ready-mixed concrete company that operates in Michigan. We contributed our Michigan ready-mixed concrete and concrete-related products assets, excluding our quarry assets and working capital, in exchange for an aggregate 60% ownership interest, and Levy contributed all of its ready-mixed concrete and concrete-related products assets, a cement terminal and cash of $1.0 million for a 40% ownership interest in the new company. Under the contribution agreement, the subsidiary also purchased at closing the then carrying amount of Levy's inventory and prepaid assets, totaling approximately $3.0 million, which is classified as cash used in investing activities. For financial reporting purposes, we include Superior Materials Holdings, LLC in our consolidated accounts.

Superior Materials Holdings, LLC has a separate credit agreement which provides for a revolving credit facility, under which borrowings of up to $17.5 million may become available depending on its borrowing base, as defined in the credit agreement (see Note 7).

In other business acquisitions during the periods presented, we acquired two ready-mixed concrete plants, including real property and raw material inventories, in our west Texas market for approximately $3.6 million in June 2007.

5. INVENTORIES

Inventories consist of the following (in thousands):

	September 30, 2008	December 31, 2007

Raw materials	$	19,707	$	17,374
Precast products		8,767		7,495
Building materials for resale				