U.S. CONCRETE, INC. #4572486
THIRD QUARTER 2012 EARNINGS CONFERENCE CALL
November 8th, 2012, 10:00 AM ET
Chairperson: Matt Brown (Mgmt.)

Operator: Thank you for holding, ladies and gentlemen. Welcome to the U.S. Concrete Third Quarter 2012 Earnings Release conference call on the 8th of November, 2012. Throughout today's recorded presentation, all participants will be in a listen-only mode. After the presentation, there will be an opportunity to ask questions. If any participant has difficulty hearing the presentation, please press the star followed by the zero on your telephone for Operator assistance.

I will now hand the conference over to Mr. Matt Brown. Please go ahead, sir.

Matt Brown: Thank you, Carol. Good morning and welcome to U.S. Concrete's third quarter 2012 earnings conference call. We appreciate your interest in U.S. Concrete and we are pleased to share our third quarter results with you. Joining me on the call today is Bill Sandbrook, our President and Chief Executive Officer.

Before I turn it over to Bill, I would like to cover a few administrative items. Information reported on this call speaks only as of today, and therefore you are advised that time sensitive information may no longer be accurate as of the date of any replay. We will discuss certain topics that contain forward-looking information. These forward-looking statements are intended to qualify for the Safe Harbor from liability established by the Private Securities Litigation Reform Act of 1995. Forward-looking statements include but are not limited to statements related to projected revenues, volumes and pricing and other financial and operating results, capital expenditures, strategies, expectations, intentions, plans, future events, performance, underlying assumptions, and other statements that do not relate to historical or current facts.

Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, it can provide no assurance that such expectations will prove to have been correct. Such statements are subject to certain risks, uncertainties and assumptions that are discussed in the Company's filings with the Securities and Exchange Commission, including the Company's annual report on Form 10-K for the year ended December 31, 2011 and subsequent quarterly reports.

If you would like to be on an email distribution list to receive future news releases, please contact Laura Russell at 817-835-4111. If you would like to listen to a replay of today's call, it's available on the Investors section of our website. Please also note that you can find the reconciliation to non-GAAP financial measures that we will discuss on this call in the Form 8-K filed earlier today and in the Investors section of the website.

This morning, we issued a detailed press release which contains information regarding our third quarter 2012 results, so during the call this morning, we will provide a brief overview and leave as much time as possible for Q&A.

Now, I would like to turn the call over to Bill Sandbrook, our President and CEO, to discuss the highlights for the quarter.

Bill Sandbrook: Thank you, Matt. Before I discuss our third quarter results, I'd like to take a minute to offer our support and encouragement to our employees, customers, suppliers, and all those who have been impacted by Hurricane Sandy. As you know, U.S. Concrete has significant operations and a large number of employees in the downstate New York and northern New Jersey region. While we are grateful that our employees are safe, we know that many have suffered significant personal losses and continue to have lives disrupted during the recovery period. We have undertaken significant efforts to help our affected employees and their families get back on their feet, and continue to be heartened by their resilient attitude in the face of their current hardship.

As a company, we have not suffered any material losses to our assets and have been actively shipping product from the majority of our locations starting at the beginning of this week. At this time, we only have one ready mix plant not operational due to power issues, and it is expected to be online for shipping tomorrow. With that, I would like to jump into a recap of the third quarter.

I'm happy to announce that we had a very active quarter, showing significant progress both operationally and strategically. Operationally, our ready mix volume and revenue were up 10% and 14.5% respectively compared to the third quarter of last year. This marks our eighth consecutive quarter for year-over-year revenue growth and the fifth consecutive quarter for year-over-year volume growth. Adjusted EBITDA of $8.0 million was up $1.9 million, or 31%, compared to the third quarter of 2011.

Strategically, we closed on several significant transactions during the quarter, which we believe will better position us to take advantage of growth opportunities over the next several years. In August, we refinanced our revolving credit facility, which in addition to other improvements increased our borrowing capacity, lowered our cost of debt, and provided flexibility to support our growth strategy. Also in August, we divested the assets of our California precast operation and sold excess underutilized property in our California ready mix operations, which will allow us to focus more on our core ready mix business and provide cash to support other earnings-enhancing initiatives.

In addition, we were very active in the acquisition market during the quarter. We closed on an agreement to lease new ready mix plant assets on Staten Island for the expansion of our New York operations, and we acquired the assets of Colorado River Concrete to expand our Texas operations. Additionally last week, as previously announced, we purchased the Bode Concrete Company in San Francisco, which will expand our California operations. We are encouraged by the continued signs of recovery in all of our construction markets, and continue to look for opportunities to take advantage of our operational improvements and incremental capacity additions to execute on our strategic plan.

With that, I would like to turn the call back over to Matt to discuss our third quarter financial results in a little more detail.

Matt Brown: Thanks, Bill. This morning, we reported consolidated revenue of $148.9 million and a net loss of $3.2 million for the third quarter of 2012. This compares to consolidated revenue of $134.3 million and net income of $9.6 million for the third quarter of 2011.

Before I discuss the key aspects of our results, such as price and volume trends, I would like to point out that the third quarter of 2012 reported net loss includes a $2.6 million loss from fair value changes in our embedded derivatives related to convertible notes and warrants. This is a non-cash loss that is calculated, revalued and recorded each quarter based on several inputs, one of which is our stock price. The increase in our stock price from $5 per share on June 30, 2012 to $6.48 per share on September 30, 2012 is the primary driver of the loss we recorded over the derivatives during the third quarter.

Also included in our third quarter 2012 net loss was a $2.6 million loss on extinguishment of debt related to the write-off of deferred financing costs associated with our credit facility, which was refinanced during the quarter, and approximately $700,000 of expense related to the corporate headquarters relocation. Included in the third quarter 2011 net income was a non-cash gain related to the Company’s derivatives of approximately $11.2 million, and approximately $300,000 of costs related to the departure of our former president and CEO and the hiring of our new president and CEO. Excluding these items, our net income grew to $2.7 million in the third quarter of 2012 compared to a loss of $1.3 million in the prior quarter—the prior year.

Now, let’s turn to the key operating measures for the third quarter. Total revenues were up by 10.9% year-over-year for the quarter. Ready mix revenue increased by $19.1 million, or 14.5%, year-over-year and was due to a combination of higher volumes and higher average sales prices per cubic yard. Precast sales from continuing operations declined by $1.9 million, or 25.4%, for the same period. As Bill mentioned previously, this marks the eighth consecutive quarter where we have reported an increase in consolidated revenue on a year-over-year comparative basis.

Ready mix volume for the quarter increased by 10% as compared to the third quarter of 2011, which follows 20.7% and 39.7% year-over-year increases in volume for the second and first quarters of this year respectively. We are pleased to see that ready mix volumes have now increased year-over-year in the last five consecutive quarters as a result of the increasing demand that we have seen over the last 12 months.

On the price side, we realized an increase in our average ready mix sales price of 3.6% from $95.23 per yard in the third quarter of 2011 to $98.67 per yard in the third quarter of 2012. This remains particularly encouraging since a larger portion of our increased volume for the quarter was in our lower priced markets, particularly in Texas. On a market by market comparison, the average selling price per cubic yard increased in all of our major markets, and this is the sixth consecutive quarter of consolidated year-over-year increases.

To that point, our ready mix concrete raw material spread was 45.7% in the third quarter of 2012 compared to a prior quarter spread of 44.2% and a third quarter 2011 spread of 43.7%. We saw increases in material spread in all of our major markets for the quarter as we were able to effectively pass through increased costs of cement and aggregates in the form of increased pricing and additional sales of value-added products. The actual raw material spread in dollars per yard increased by $3.40 for the third quarter of 2012 compared to the third quarter of 2011.

As you know, diesel fuel is a significant cost driver in our core ready mix business. We use diesel to fuel the heavy equipment in our quarries, in our internal material hauling fleets, in our ready mix plant mobile equipment, and finally in our ready mix truck delivery fleet. Although we saw a decline during the previous quarter, fuel costs increased once again during the third quarter of 2012 and we paid an average of 5% more in fuel costs per yard of concrete delivered when compared to the third quarter of 2011. The energy market is always unpredictable, so we remain prepared to aggressively manage our fuel costs and potential surcharges with in bound haulers and respond accordingly with our outbound surcharge mechanisms.

Our SG&A expenses increased by $2.8 million during the third quarter of 2012 compared to the third quarter of 2011, primarily due to approximately $700,000 of expenses related to the recently completed relocation of the corporate headquarters, approximately $200,000 of higher non-cash stock-based compensation costs, a $1.3 million increase in our incentive compensation accrual, a $1.1 million increase in legal and professional fees related to the previously mentioned significant transactions during the quarter, and higher medical insurance costs primarily related to an unusually high number of ongoing large claims during the year. SG&A expenses for the third quarter of 2011 included approximately $300,000 of expenses related to the departure of the Company's former President and Chief Executive Officer and the hiring of our new President and Chief Executive Officer.

We continue to focus on and aggressively manage our SG&A costs. The incremental costs incurred during the third quarter 2012 were either non-recurring in nature or were incurred to enable recent and future accretive acquisitions or provide ongoing improved operating margins.

Consolidated adjusted EBITDA increased by 31.2% to $8 million in the third quarter of 2012 compared to $6.1 million in the third quarter of 2011. Adjusted EBITDA as a percent of revenue was 5.4% for the third quarter of 2012 compared to 4.5% for the prior year quarter. We continued to experience improved operating efficiencies for our increased volume.

For the third quarter of 2012, ready mix yards per truck increased by 5.2% from third quarter of 2011, and yards per man hour increased by 2.8% for the same period year-over-year. As to operating cash flow, during the third quarter of 2012, we used cash in operations of $2.3 million compared to cash provided by operations of $3.1 million for the third quarter of 2011. This decline was a result of timing in working capital changes. The Company generated free cash flow of $19 million in the third quarter of 2012, an increase of $16.5 million from the $2.5 million generated in the third quarter of 2011. This was primarily due to $22.8 million in cash proceeds received from the aforementioned sale of our California precast operations.

For the third quarter of 2012, we spent $1.5 million on capital expenditures, up approximately $700,000 compared to the third quarter of 2011. As volumes continue to increase with demand, we will continue to adjust spending to reflect our current outlook for future production requirements and to be able to fund capex out of internally generated cash flow.

The book value of our long-term debt, including current maturities, was $58.1 million on September 30, 2012. This included $45.5 million of convertible notes due 2015 and $9.1 million of borrowings under the senior secured credit facility, plus $3.5 million of capital leases and other borrowings. The difference between the book value of the convertible notes and the face amount of $55 million is due to the discount recorded on the convertible notes as a result of the separate valuation of the embedded derivative at issuance. As of September 30, 2012, we had $9.1 million drawn on our credit facility with $19.1 million of undrawn letters of credit outstanding. This left us with $49.1 million of availability after a $2.7 million reserve for sales and use tax, which reduces availability in accordance with the credit agreement.

We also had $3.8 million of cash and $1.5 million of restricted cash on our balance sheet. The restricted cash was the result of the sale of our California precast assets and the related deposit of a portion of the proceeds into a separate account controlled by the trustee of the indenture for our convertible notes. This restricted cash per the indenture may be used for capital investment by the Company and was fully expended in our purchase of Bode Concrete after September 30th.

In August, we refinanced our senior secured credit facility and entered into a new credit agreement with Bank of America and Capital One, which provides for an $80 million asset-based revolving credit facility in addition to an uncommitted accordion feature which provides up to $45 million of additional borrowing capacity subject to certain conditions, including the modification of the indenture to our convertible notes. This new credit facility provides us the additional liquidity needed to further our strategic plans and lowers our overall cost of debt with significant reductions in both drawn spread and unused fees.

In accordance with our new credit agreement, upon the occurrence of certain events, we must maintain a fixed charge coverage ratio of at least one-to-one for the trailing 12-month period. For the 12 months ended September 30, 2012, our fixed charge coverage ratio was 2.71 to 1. In accordance with our indenture, which governs our convertible notes, we must maintain a consolidated secured debt ratio of no more than 7.5 to 1. As of September 30, 2012, our consolidated secured debt ratio was 3.81 to 1.

Now, let me turn the call back over to Bill who will provide an overview of the strategic activities of the quarter.

Bill Sandbrook: Thank you, Matt. On the strategic initiative front, as I previously stated, we were very active during the quarter and I'm pleased to report on numerous developments during the past few months. We announced in August that we sold substantially all of the assets of our California precast operations to Oldcastle Precast for $22.8 million, including purchase price adjustments for working capital. In the past, I have been very direct about our strategic plan for U.S. Concrete to become the premier focused domestic supplier of ready mix concrete in the United States. This sale is a significant milestone in our advancement of that strategic plan. The proceeds from the sale have provided us additional liquidity for earnings enhancing activities such as acquisitions, organic growth opportunities, and debt repayment.

On the acquisition front, we are pleased to announce that we were able to expand our operations in four out of our six major markets during the quarter. Let's start with our New York market. In July, we entered into a lease and marketing agreement with Granite Ready Mix, Scara-Mix Inc., and related companies to operate, among other things, a New York State DRT and a New York City Department of Building-approved ready mix plant on Staten Island. We will also market sand, stone, and recycled aggregate on the Island. The bolt-on operation will complement our existing operations on the northwestern side of Staten Island and allow us to optimize our existing fleet of trucks to provide full service to the Island's densely populated northern and southern areas and supplement service to our nearby New Jersey location. This expansion is part of our strategy to increase our presence in the New York City metropolitan area as the construction market rebounds. We are also strategically positioned to participate in any repair activities necessitated by the recent hurricane.

Now, to our west Texas and Dallas-Fort Worth metroplex markets. In September, we completed the acquisition of certain operational assets of Colorado River Concrete for $4.3 million, including $2.4 million in cash and a 24-month promissory note for $1.9 million with payments beginning in January 2013. The acquisition includes four ready mix plants west and southwest of Fort Worth, Texas. Three of the plants were added to our west Texas operations and the remaining plant supplements our Dallas-Fort Worth metroplex operations.

Finally and most significantly, let's turn to our San Francisco, California market. Last week, we acquired all of the issued and outstanding equity interest of Bode Concrete LLC and Bode Gravel Company. Bode Concrete and Bode Gravel operate two fixed ready mix concrete plants and one portable plant on a single site, and 41 mixer trucks in the San Francisco area. We completed the purchase of the Bode companies for $24.5 million payable in cash at closing subject to customary closing adjustments, plus potential earn-out payments contingent upon reaching certain volume hurdles, not to exceed a present value of $7 million payable over a maximum of six years. Bode Concrete has been serving the greater San Francisco construction market for almost 100 years and has become the city's preeminent supplier of ready mix concrete. This acquisition will significantly expand our presence in this market and allow us to provide exceptional customer support to both companies' customers in the Bay Area.

We are extremely excited about each of these transactions and their importance to our Company in becoming the premier domestic supplier of ready mix concrete in the U.S. In that effort, we will continue to explore strategic transactions that bring us closer to achieving that goal while also maintaining a healthy balance sheet.

We operate in six primary markets: the San Francisco Bay area, Dallas-Fort Worth metroplex, west Texas, Washington, D.C., northern New Jersey, and metropolitan New York. We continue to believe we are in the right markets at the right time and are poised to take advantage of the increasing construction demand we have seen thus far in the year and expect to continue in the near future. Our markets continue to rebound at a faster pace than the national average, and our recent expansion in these markets will allow us to further leverage that recovery. Both pricing and volume growth trends have continued, and we have seized the opportunity provided to us by favorable weather patterns in our markets this year.

We continue to assess and manage internal activity within our control such as pricing, cost containment and overhead reduction, and fully expect the investments we have made in these areas to start showing returns over next year. Our ready mix concrete backlog at the end of the third quarter was 1.4% higher than at the same time period last year, and up 16.6% since the start of this year. You should note that not all of this backlog will be delivered in 2012 as we have several multi-year projects.

So, to wrap things up, we are pleased with our third quarter results and are especially encouraged by our ability to execute on key strategic initiatives impacting most of our major markets. We look forward to continuing our positive momentum and we expect to aggressively continue our effort to strategically enhance the position and financial performance of our company. It is an exciting time for U.S. Concrete and we look forward to reporting our future progress.

We would now like to turn the call back over to the Operator for the question-and-answer session. Carol?

Operator: Thank you, sir. If any participant would like to ask a question, please press the star followed by the one on your telephone. If you wish to cancel this request, please press the star followed by the two. Your questions will be polled in the order they are received. There will be a short pause whilst participants register for a question.

Your first question comes from Mr. Matt Heckler. Please state your company followed by your question.

Matt Heckler: Hi, it's Matt Heckler from Whipporwill. Good morning, guys. Just wanted to ask you a couple of questions in no order – let me just jump in. I'm trying to pencil out, I guess, sort of the pro forma results given there's been a lot of activity both buying and selling some assets, and I wonder if you guys can just help me directionally in how to think about it. So, for year-to-date, you're doing just under 17 of reported EBITDA. As far as I can tell, you had losses from precast of about 1.5 million. So, I would I guess add that back on a normalized basis. I think in your Bode 8-K, you talked about Bode doing just about 8 million of EBITDA on a Year 1 basis, and I wonder if you can help me figure out or give me some way to think about how some of those other acquisitions might be accretive to your EBITDA, either on a run rate basis, an LTM basis, or how to think about what the pro forma number might be with this new set of assets.

Bill Sandbrook: Well Matt, you have some pretty good information that we've filed in our 8-K on Bode, so I don't think that—I think that's fairly well covered. The other two were fairly small acquisitions, Colorado River Concrete and Scara-Mix. The Scara-Mix acquisition did add a significant amount of volume to our Staten Island location, and we don't report out our volumes by region, as you know; but it has supplemented that to some extent, and it was a large plant.

The west Texas operations at CRC were fairly small. As you can see from the acquisition price of $4.1 million, if you would just take a run rate on what ready mix acquisitions are going for, between $50 and $100 per yard, depending on the profitability of the region of the acquisition. Obviously for the Bode one you can figure out that it was a fairly expensive one, but it's because the earnings of per yard of ready mix is significantly higher there than in some of our rural markets.

So, if I can dimension it for you between an average ready mix acquisition per cubic yard versus the high end of Bode, I think you can dial into what the incremental volumes and earnings should be from that.

Matt Heckler: Okay, but all of those acquired assets, they are EBITDA positive, correct?

Bill Sandbrook: Correct.

Matt Heckler: Okay. And, tell me about how to think about the remaining precast business, meaning it looks like you got to an EBITDA positive result with precast this quarter. How should I think about the continued drag or contribution from precast on a go-forward basis? I think you still have some precast operations that you still own.

Bill Sandbrook: Right. I would say not material. Not significant improvement from this year, but not material for the remaining assets, which as you're very aware, we are continuing to assess the strategic fit of those operations with the U.S. Concrete portfolio. But, as you can see, we sold the bulk of revenue-generating assets in California, so this would be not material, in my estimation, to ongoing U.S. Concrete operations.

Matt Heckler: Okay. And, in the 8-K where you released the expected Bode results, I think the Year 1 EBITDA from Bode was 7.7. Is that a—how would you say, a good proxy for its performance so far this year?

Bill Sandbrook: Yes.

Matt Heckler: Okay. Also, it's sort of a technical question, but with the acquired assets – Bode and the two other smaller transactions – if I've got my indenture read correct, all of those after-acquired assets are part of the collateral for the bond. Is that right?

Matt Brown: That's correct, Matt.

Matt Heckler: Okay. You went through in some detail the current drawings and the availability on the revolver, and I apologize, I wasn't paying attention. Is that as of today? Or, is that as of June 30?

Matt Brown: That was actually as of September 30.

Matt Heckler: I'm sorry, September 30.

Matt Brown: Yes.

Matt Heckler: Can you give us what the—

Matt Brown: Sure. As of today?

Matt Heckler: Yes.

Matt Brown: No, we don't want to give as of today at this point. I can go over September 30th.

Matt Heckler: Okay, I understand. If you could just then repeat September 30. I apologize for that.

Matt Brown: Sure. So, the capacity on the revolver is $80 million. We had a tax reserve of $2.4 million approximately, and an additional availability reserve of about $300,000, letters of credit of $19 million, and revolver borrowings of just over 9 million, which gets you to availability of $49.2 million.

Matt Heckler: And, can you talk to me just generally about the rest of this year as far as your expectations on how your free cash flow and liquidity needs look, and how you view that ABL? Is it sufficient to operate this new larger business?

Matt Brown: Well, the ABL has been increased in capacity from $75 million to $80 million, which is a $5 million increase. We believe this is sufficient. We have drawn a little bit more on that due to the Bode transaction, since the September numbers that you saw, but it will be sufficient for us for the year.

Matt Heckler: Right. And, if I remember, I think Q1 is a peak working capital time for you. Is that right?

Matt Brown: Correct.

Matt Heckler: And, the current ABL you think is sufficient to fund that working capital need?

Matt Brown: We do.

Matt Heckler: Okay. Thanks, that's helpful. Can you talk to me a little bit about—I mean, you had a great quarter as far as volume in the third quarter. Can you help me think about where this sort of leads you from a capacity utilization standpoint, meaning are you running at half the potential volumes, at three quarters? I'm just trying to figure out how much more volume you could take as the economy improves and still be able to handle it.

Bill Sandbrook: I'll take that, Matt. You know, as I've described this in the past, the ready mix plant is—it can be a 24-hour operation if you can get your customers to support and take deliveries around the clock. In many situations, as you can see in your own communities, most construction sites want to start work at first light, 6:00, 7:00 in the morning, and so everybody wants their concrete delivered at the crack of dawn. So, your capacity is really limited by the number of jobs you can service out of that plant at any one given time because you don't have enough trucks or capacity to potentially service all jobs that you would theoretically have capacity for if you could spread that volume through the day.

So, as we get tighter and tighter, or we get more and more jobs into a single plant, you can creatively or innovatively do things with pricing or other enticements to customers to spread out that demand, which immediately increases the capacity of that plant as opposed to having everybody want their concrete first light, where you can't supply it as such. So, there are innovative ways to increase the capacity of your plants to spread out that demand, so as we get busier and busier, we will have to undertake those type of activities.

We do have plenty of capacity left in some of our markets, so that all plants aren't busy all day. In West Texas, for instance, those plants by nature of the structure of the market can only do 5, 10, 20,000 yards a day. At the urban plants in Dallas-Fort Worth, New York City, northern New Jersey, California, it's a little bit different – very high volume plants, and that's the benefit of having multiple plants in any one market so that you can shift the volumes around and shift capacity utilization around various parts of your portfolio or your geographic footprint in these market areas.

So, to answer your question, we have not reached capacity. We are looking at additional assets in capital next year to increase our truck fleet as we think the markets will continue to expand; but at this point, I am not overly concerned about bumping up into capacity utilization problems.

Matt Heckler: Okay, that's helpful. In the last couple of weeks, we've gotten some color from other players in the space that they are relatively optimistic, and it's hard for us to understand whether it's a direct read-through to you in your markets, but I wonder if you can just give me your sense on your expectations for volumes. And, what pricing action, if any, is currently in your markets? We've had guys report that there are single-digit pricing increases in some Texas markets that are still in the marketplace, and I wonder if you can kind of give us a lay of the land of what you expect over the coming quarters as far as demand and price.

Bill Sandbrook: Sure. And, we don't give forward-looking statements, but I can say in looking what others are reporting and the publicly reported forecasting agencies such as Dodge, McGraw Hill, PCA, PCG, Global Insights, we are in agreement and are optimistic about res and non-res going into 2013 and 2014, and share the median view of those forecasting agencies, which would be—on an aggregated basis, I'd say, high single digits, low double digits depending on your amount of res that you put into that calculation. And, we are positively looking at all of our markets in the growth arena across our portfolio.

As far as pricing, you can see from our quarterly results that we continue a very good pricing momentum and it is in all of our markets. We expect that to continue. We do expect cement prices to increase modestly sometime in the first part of next year, probably at the end of the first quarter, which we will undertake and hope to be successful in passing on to the market. And, in this type of increasing demand environment with some inflationary pressures in your underlying raw materials, traditionally, historically, these markets have accepted those price increases and have actually been able to expand their margins as they put those into the market.

Matt Heckler: Great, thank you very much guys. That's all I have.

Operator: Thank you. Our next question comes from Matthew Dodson. Please state your company followed by your question.

Matthew Dodson: Yes, this is Matthew Dodson from Edmunds White Partners. I've just got one quick question. A bunch of people have been really commenting on Texas, especially the transportation infrastructure finance thing that just went in. Can you talk about how that's going to impact next year? And, if you have enough capacity to handle all that demand?

Bill Sandbrook: Yes Matthew, I'll explain that. Remember, Texas is a very large state and we only operate in the northern part of the state, so we're specifically interested in the Dallas-Fort Worth metroplex and the more rural markets as you head west to Abilene, Lubbock and Midland-Odessa. So, we do not participate in the Houston, Austin, San Antonio markets, and some of the comments that you've been reading in the press are very specific to those markets.

Having said that, there is a significant construction infrastructure spend ongoing in the metroplex market. We are currently on the LBJ project. There's going to be other opportunities and various other projects going forward in '13 and '14, and traditionally we will dedicate a plant to that and find a site, if our volumes are sufficient, to put a portable plant on that site that doesn't impact your existing customer base. The trick in supplying those high volume demand projects is to dedicate a plant to them without negatively impacting our existing commercial and residential customers; therefore, we do have portfolio and availability of portable concrete plants to support those opportunistically if we're successful in winning one.

Matthew Dodson: Another quick question, a company just came out today talking about the Texas Department of Transportation for a $241.3 million project on I35. I'm not very familiar with Texas. Would you have exposure to that?

Bill Sandbrook: Yes, we would have the opportunity to bid to the concrete contractor on that job.

Matthew Dodson: Thank you very much.

Operator: Thank you. Our next question comes from Jim Fonda. Please state your company followed by your question.

Jim Fonda: Hi, Jim Fonda from Sidoti. Just one question, with respect to the legal fees related to these recent transactions, are those all behind you? Or, will they carry over into the fourth quarter?

Bill Sandbrook: Most of those would have been in the third quarter; however, there would have been some—a little bit of October holdover on some of them with Bode. So, there is some ongoing—well, they're not ongoing now, but they will be reported in the fourth quarter—or, in the third and the fourth quarter, excuse me.

Jim Fonda: Thank you, that's all I had.

Operator: The next question comes from Craig Beresin. Please state your company followed by your question.

Craig Beresin: Good morning, Craig Beresin from Watermill, and congratulations gentlemen on another strong quarter fundamentally and strategically. It's been fun watching you guys get things done. Most of my questions were answered, but I did want to just have a little review of in terms of existing precast, are you able to comment on the revenue run rate, like what's left? Is there anything besides Pennsylvania, or is it just Pennsylvania?

Bill Sandbrook: It's Pennsylvania and a small operation in Phoenix, Arizona.

Craig Beresin: Phoenix, okay. Are you able to comment on just rough revenue run rates?

Matt Brown: No, but we did sell the bulk of our precast operations when we transferred those locations from California to Oldcastle.

Craig Beresin: Okay, that's helpful. And now—I mean, everything else I wanted to ask was frankly covered, so just keep up the good work and looking forward.

Bill Sandbrook: Okay, Craig. Thank you.

Operator: Once again, if you would like to ask a question, please press the star followed by the one on your telephone. The next question comes from Stephen Marshall (ph). Please state your company followed by your question.

Stephen Marshall: Hi, Stephen Marshall, Rockwood (ph) Investment Partners. In the past, you guys have talked about kind of a gap in terms of expectations for pricing between potential sellers of properties, potential acquisitions. It seems like you've gotten some of these deals done. Are you seeing, I guess, those expectations come back in line? Are you still seeing opportunities for additional acquisitions? I guess, have sellers expectations on price moved towards where you guy would be willing to make continued acquisitions?

Bill Sandbrook: Well, we are seeking out acquisitions all the time, and as I've said before, our strategy is to grow where we have existing operations so we can leverage our infrastructure and management talent and not have to go out and rebuild all the overhead in a greenfield area.

Specifically to your question on expectations, what's kind of funny now, people were living in the past for the past five years, trying to price the value of their company based on the '05, '06, '07 run rates and had a long memory, even though it was very far in the rear view mirror. As that has started to attenuate somewhat, now all of a sudden you start having some more optimism in the market and the people that have made it through the last five difficult years say, okay, why should I sell low now because 2013, '14 and '15 are looking a lot brighter for me, and I survived; so, if you want to take me out now, you're still going to have to pay this premium.

Now, having said that, there are special situations that always arise in a seller's mind, whether for financial distress, gets tired of getting up every morning and doing this business as a private owner with the difficulties of the operating environment that we all operate in, or there are succession issues within that family that there is no clear successor. So, those tend to motivate the seller—an active seller or a true seller tends to motivate him more than the 2007, 2006 heyday or the future prospects. So, we're most active and most successful where there is special situations involved.

Stephen Marshall: Okay, great. On the Bode acquisition, I think previously it was mentioned that you guys had about a 33% market share in the Bay Area market. How does the acquisition change that?

Bill Sandbrook: Well, remember Bode is specific to San Francisco, so there is competition in San Francisco. I don't like to comment on market share, but it was a significant acquisition for us and primarily it allows us to service customers directly in the downtown heart of San Francisco, where it's a very congested area, much more efficiently than we could from our other plants that we had to service San Francisco from in the past.

Stephen Marshall: Okay. And then, last question, you had sold some excess real estate in California. Is there—would there be any additional real estate now that's, I guess, excess after closing the acquisitions that you guys would be looking to dispose?

Bill Sandbrook: We do have one more property in California, and that's the Lathrop facility that we sold to Oldcastle Precast. We own that and we're under a lease arrangement with them at this point for a one-year lease. As we get towards the end of that lease, we're going to negotiate with them either an extension on that lease or disposal of that property.

Stephen Marshall: Okay, thank you very much.

Bill Sandbrook: You're welcome.

Operator: As a final reminder, if you would like to ask a question, please press the star followed by the one on your telephone. The next question comes from Craig Beresin. Please state your company followed by your question.

Craig Beresin: Hi guys, me again –Craig from Watermill. Just one question I forgot to ask, which is—regarding—if you could comment—regarding Eagle's—the acquisition that they made, what they bought from Lafarge and the price that they paid, just curious your take on did that—does that reflect other bidders around and that's what they had to pay to secure the asset? Does it reflect attractiveness of assets, and if so, which type? Just your thoughts on that, I'd appreciate hearing.

Bill Sandbrook: Craig, it's a little bit difficult for me to comment on because it's not in a market area that we follow, so I don't know the market trends in that Midwest area. It's much more complicated because it's cement, ready mix, and aggregate, and obviously we're not in that space so we were not looking at that type of acquisition at this time. So, I really can't comment on the details or the attractiveness of the multiples they paid.

Craig Beresin: Fair enough, I was just curious. Thanks guys.

Operator: Thank you, sir. There appears to be no further questions at this time. Please continue.

Bill Sandbrook: Okay, thank you Carol. Thank you everyone for participating in the call this morning. This is an exciting time for U.S. Concrete. We have a lot of momentum, we have a lot of good plans, and I have a great team around us. And once again, remember those in need right now up in the New York and New Jersey area who now are being snowed on as opposed to the previous hurricane, and we're doing our best to support our own employees in that area as well.

We look forward to discussing our fourth quarter and year-end results with you in March, and thank you for your participation.

Operator: That concludes the U.S. Concrete Third Quarter 2012 Earnings Release conference call. Thank you for participating. You may now disconnect.

END