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USCR - Q3 2014 U.S. Concrete, Inc. Earnings Call

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CORPORATE PARTICIPANTS

Bill Sandbrook *U.S. Concrete, Inc. - President & CEO*

Matt Brown *U.S. Concrete, Inc. – Sr. Vice President & CFO*

CONFERENCE CALL PARTICIPANTS

Arnie Ursaner *CJS Securities - Analyst*

Seth Yeager *Jefferies - Analyst*

Jon Evans *JWest, LLC - Investor*

David Cohen *Midwood Capital - Analyst*

Yilma Abebe *JP Morgan - Analyst*

PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to your U.S. Concrete third-quarter 2014 earnings conference call. At this time, all participants are in a listen-only mode. Later we will conduct a question and answer session, and instructions will follow at that time. If anyone should require assistance during the conference, please press the star and then zero on your touchtone telephone. As a reminder, this conference is being recorded.

I would now like to now introduce your host for today's conference Mr. Matt Brown, Senior Vice President and Chief Financial Officer.

Mr. Brown, you may begin.

Matt Brown - U.S. Concrete, Inc. - SVP & CFO

Thank you, Roland.

Good morning and welcome to U.S. Concrete's third-quarter 2014 earnings conference call. Joining me on the call today is Bill Sandbrook, our President and Chief Executive Officer. Before I turn the call over to Bill, I would like to cover a few administrative items.

U.S. Concrete would like to take advantage of the Safe Harbor provisions of the US Private Securities Litigation Reform Act of 1995. Certain statements in this conference call may be considered forward-looking statements within the meaning of that act. Such forward-looking statements are subject to risks, uncertainties and other factors which could cause actual results to differ materially. For a list of these factors, please refer to legal disclaimers contained in our filings with the Securities and Exchange Commission.

Please note that you can find the reconciliations to non-GAAP financial measures that we will discuss on this call in the Form 8-K filed earlier today and in the Investor Relations section of our website.

If you would like to be on the email distribution list to receive future news releases, please sign up in the Investor Relations section of our website under Email Alerts. If you would like to listen to a replay of today's call, it will be available on the Investor Relations section of our website under Events & Presentations.

Now I'd like to turn the call over to Bill Sandbrook, our President and CEO, to discuss the highlights for the third quarter of 2014.

Bill Sandbrook - *U.S. Concrete, Inc. - President & CEO*

Thanks, Matt.

I'm very pleased to report that our third-quarter results reflect strong growth in volume, pricing, revenue and profitability in both segments of our business, ready-mixed concrete and aggregates. I am also particularly encouraged by our continued ability to expand margins in light of highly publicized announcements of increased cement pricing. Our year-to-date is EBITDA margin is now over 11%, the highest such margin generated in the Company's history through three quarters.

The acquisitions of Custom-Crete and New York Sand and Stone were completed on October 21st for a combined consideration of $52.6 million in cash. We have quickly integrated these businesses into our regional operating units and are very excited about both the growth these acquisitions will bring to our bottom line and the opportunity for future expansion around these new platforms. We remain steadfast in our two-pronged growth strategy to grow organically through operating excellence and a keen focus on core fundamentals, and to expand through acquisitions that bolster our existing market positions and potentially open up new high-growth markets.

Although there has been much talk about the impact of oil prices in Texas, we have seen no negative impact from these trends in our backlog or bidding opportunities. Our Texas operations are well diversified into the Dallas/Fort Worth metroplex and a wide area of West Texas. The Dallas/Fort Worth economy is driven by a variety of industry sectors, with less reliance on oil and gas, and continues to be one of the fastest-growing and most stable economies in the country. Declining oil prices in this market could potentially drive even higher consumer spending which could result in further growth in the construction market. In addition, our West Texas operations make up less than 20% of our overall company revenue, and our widely diversified footprint in this area provides many opportunities outside the oil and gas industry. We believe Texas will continue to be one of the strongest markets and maintain the economic resiliency it has historically shown even when the greater U.S. economy has not.

We are very pleased with our third-quarter results and the progress we continue to make in achieving our strategic plan and will remain focused on building on our momentum through the end of the year and into 2015.

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

Matt Brown - U.S. Concrete, Inc. - SVP & CFO

Thanks, Bill. Consolidated revenue of $197.6 million was up 18.2% year-over-year for the quarter. Ready-mix revenue increased by $24.3 million or 16.1% year-over-year as we continue to show improvement in both volumes and average sale prices per cubic yard. Aggregate products revenue increased by $5.6 million or 49% for the same period. This marks the 15th consecutive quarter for which we have reported an increase in consolidated revenue on a year-over-year comparative basis.

Ready-mixed volumes in the quarter increased by 9.1% compared to the third quarter of 2013. Aggregate product sales volume increased by 38.9% for the same period.

On the price side, we realized an increase in our average ready-mixed sales price of 6.4% from $104.47 per yard in the third quarter of 2013 to $111.15 per yard in the third quarter of 2014. Our aggregate products average sales price increased by 5.7% to $9.39 per ton for the same period.

As one of our core fundamental operating principles, we continue to focus on forward pricing and cost management to expand margins. Despite increases to our raw material input costs, our ready-mixed concrete raw material spread increased by $4.60 per yard to $53.66 per yard in the third quarter of 2014 compared to 2013. This represents a 140 basis point expansion of our materials spread margin, to 48.2% in the third quarter of 2014 compared to 46.8% in the prior year quarter.

Our SG&A expenses increased by $1 million during the third quarter of 2014 compared to the third quarter of 2013. The increase was primarily due to higher incentive compensation accruals in the current year quarter. As a percentage of total revenue, SG&A expenses decreased to 7.8% in the third quarter of 2014 compared to 8.6% in the third quarter of 2013. As we become increasingly active in the acquisition market, our SG&A costs may be additionally burdened by higher legal and professional fees related to diligence efforts in advance of revenue generated from acquisition closings. Excluding these corporate development costs, as well as non-cash stock compensation and severance, our SG&A expenses declined to 6.9% of revenue in the third quarter of 2014 compared to 7.6% in the third quarter of 2013.

Consolidated adjusted EBITDA increased by 40.3% to $26.2 million in the third quarter of 2014, compared to $18.7 million in the third quarter of 2013.

Adjusted EBITDA as a percentage of revenue was 13.2% for the third quarter of 2014 compared to 11.2% for the prior year quarter. As Bill previously mentioned, our year-to-date EBITDA margin is now over 11%, the highest such margin ever generated by U.S. Concrete through the first three quarters of the year. Ready-mixed concrete adjusted EBITDA increased by 37.2% to $26.6 million with a 230 basis point expansion in margin. Aggregate product adjusted EBITDA increased by 29.6% to $4.0 million.

During the third quarter of 2014, we had cash provided by operations of $24.2 million, compared to $17.4 million in the third quarter of 2013. The increase in operating cash flow year-over-year for the quarter was related to our improved financial performance. For the third quarter of 2014, we spent $9.3 million on capital expenditures, up approximately $4.0 million compared to the third quarter of 2013. The increase in capital expenditures was due to higher spending on mixer trucks, an aggregate plant upgrade in New Jersey, and plant equipment and improvements, all to support the growing demand in our markets.

In September, we amended the loan agreement to our revolving credit facility to increase total commitments from $125 million to $175 million. The amendment also removes certain conditions to funding, including the uncommitted accordion feature, the maximum leverage ratio condition for an increase in the amount of our senior secured notes above $200 million, and a requirement that any such additional notes must mature six months outside the expiration of the loan agreement. The expiration of the loan agreement remains unchanged. As we have mentioned several times during this call, our acquisition pipeline is very active and growing. The amendment to our credit facility will give us additional liquidity and flexibility to execute our acquisition strategy.

The book value of our long-term debt, including current maturities, was $220.1 million on September 30, 2014. This included $200 million of senior secured notes due 2018, $18.2 million of equipment financing for new mixer trucks, loaders, and excavators, and $1.9 million of other notes payable. As of September 30, 2014, we had zero drawn on our credit facility with $11.3 million of undrawn letters of credit outstanding. This left us with $119.0 million of availability as of September 30th, 2014, compared to $69.4 million available as of September 30, 2013. Our availability is net of a $15.4 million availability reserve for outstanding letters of credit and sales tax reserves. We had $94.2 million of cash and cash equivalents on our balance sheet for a total liquidity of $213.2 million, as of September 30, 2014.

Looking forward, our ready-mixed backlog at the end of the third quarter was 4.4 million cubic yards, which is 16.4% higher than it was at the same time last year and 9% higher than at the beginning of the year.

Now let me turn the call back over to Bill.

Bill Sandbrook - ***U.S. Concrete, Inc. - President & CEO***

Thanks, Matt.

We are very excited about the continued strong growth of our business but even more excited about how we are currently positioned both in our existing markets and in our available liquidity that will allow us to capitalize on available strategic growth opportunities in all of our markets. Our recently completed acquisitions should have an immediate positive impact on our earnings as we remain focused on our two pronged strategy of organic and acquisitive growth. All of our regional markets remain strong and construction demand is forecasted to remain healthy for the foreseeable future. We will continue to drive growth through focused execution of our operating plan and fully anticipate continued expansion through acquisitions in the coming quarters. The disciplined execution of our strategic plan remains the focus of the entire U.S. Concrete team as we continue to strive to increase long-term shareholder value.

Thank you for your interest in U.S. Concrete. We look forward to reporting on our future successes.

We would now like to turn the call back over to the operator for the question and answer session.

QUESTION AND ANSWER

Operator

Thank you. Ladies and gentlemen, at this time if you have a question, please press the star and then the number one key on your touchtone telephone. If your question has been answered or you wish to remove yourself from the cue, please press the pound key.

As a reminder, that’s star and then the number one to ask a question. Our first question comes from the line of Arnie Ursaner from CJS Securities.

Your line is now open.

Arnie Ursaner - ***CJS Securities - Analyst***

Good morning and congratulations on a very good quarter. In your prepared remarks, you indicated organic growth was strong in all regions. Can you quantify each? Give us a better sense of the various regions and the organic growth you saw in those regions?

Bill Sandbrook - ***U.S. Concrete, Inc. - President & CEO***

Arnie, as you know, we don't report geographically. But suffice it to say that the growth that we're seeing in all our markets is commensurate and actually exceeds the forecasting agencies of PCA, DCG, and Dodge but that all regions were very strong.

Arnie Ursaner - ***CJS Securities - Analyst***

I think what I was trying to get a better feel for is, are you running into capacity limits that will affect your future growth in some markets?

Bill Sandbrook - ***U.S. Concrete, Inc. - President & CEO***

That's an excellent point. We are not running into any capacity constraints at this time. We are adding 72 mixer trucks this year to help us meet the additional demands in each of our regions, and we have a large enough footprint in each of our operating regions that we can meet demand from multiple locations in multiple plants for any specific project need.

Arnie Ursaner - ***CJS Securities - Analyst***

A very quick one for Matt. How should we think about tax rate for Q4?

Matt Brown - U.S. Concrete, Inc. - SVP & CFO

Well, you are looking at $1.5 million to $2 million a year of run rate, and actually next year should be a bit higher than that, between $2 million and $3 million. We still have NOLs that will take us into the following year, 2016 actually. So run rate taxes for this year will be in the $2 million area. For next year, it's higher than that.

Arnie Ursaner - ***CJS Securities - Analyst***

Okay.

Matt Brown - U.S. Concrete, Inc. - SVP & CFO

And that's all AMT and state taxes.

Arnie Ursaner - ***CJS Securities - Analyst***

I'll jump back into the queue with some more detailed ones, but a broader question -- in Texas on the Election Day, Proposition 1 was passed that is a constitutional amendment that diverts half the funds that flow in the state cash reserves into the highway fund. It is assumed it will add $1.7 billion for roads in its first year. Two-part question: one is, remind us how most roads in Texas are built, and how do you see this impacting your business next year?

Bill Sandbrook - ***U.S. Concrete, Inc. - President & CEO***

As far as the second question, Arnie, I think it's positive. Our exposure to TxDOT type work is fairly limited in our overall portfolio, probably only 3% to 4%. More importantly, I think it is a blueprint for stable infrastructure and highway spending for the rest of the country, which bodes well for the construction materials industry. The speed of that spend is probably somewhat muted, and while once again I say that it is going to be positive for us, we are not looking at that as a major driver of increased volumes or profitability. But it is positive.

Arnie Ursaner - ***CJS Securities - Analyst***

I'll jump back in queue. Thank you very much.

Operator

Thank you. Our next question comes from the line of Seth Yeager with Jefferies. Your line is now open.

Seth Yeager - ***Jefferies & Company - Analyst***

Good morning, guys. Nice quarter. A question on the acquisitions that you made in October, how much of that was in the New York metropolitan area versus Texas? I got on a couple of minutes late, but I know the New York area has been a little tougher around pricing. Can you talk about your thoughts behind expanding further there and maybe how pricing has been over the last quarter or two there?

Bill Sandbrook - ***U.S. Concrete, Inc. - President & CEO***

Sure. The New York acquisition included two docks for the import of waterborne aggregate, as well as a sales and marketing agreement for stone sales across a third-party dock. So it's not really related at all to ready-mixed or concrete pricing; it's more to take advantage of what we think is going to be a very healthy construction cycle in that New York, New Jersey market. As far as pricing, I would say that price increases in all of our regions, including New York and New Jersey, have been robust.

Seth Yeager - ***Jefferies & Company - Analyst***

Okay. So it is more a function of further vertically integrating and supplementing some of the aggregates that you already have in that market?

Bill Sandbrook - ***U.S. Concrete, Inc. - President & CEO***

That's correct. And that is one of our core strategies is to become more self-sufficient and vertically integrated into aggregates.

Seth Yeager - ***Jefferies & Company - Analyst***

Okay. And in the Texas market, I think you had mentioned on your last conference call some price letters that went out for early next year from some of the cement producers? Any updates there? Given the strength in the market, any thoughts around the ability to recapture some of the pricing there? Any pushback that you've heard?

Bill Sandbrook - ***U.S. Concrete, Inc. - President & CEO***

Sure. You know, over the past probably 18 months, there has been a lot of price inflation in raw material pricing in Texas, and as you can see from our overall combined results, we've been very successful in passing that on and increasing our material margin. We anticipate exactly the same dynamics to remain in place in the coming months.

Seth Yeager - ***Jefferies & Company - Analyst***

Okay. And then just one quick one on CapEx. Obviously you've added some trucks this year. How should we think about 2015 in terms of budgeting and capital expenditures?

Matt Brown - U.S. Concrete, Inc. - SVP & CFO

We expect this year CapEx should be around 5% of revenue. Next year CapEx will be between 4% and 4.5% of revenue. We are coming back to a more of a normalized CapEx rate of around 4% of revenue thereafter.

Seth Yeager - *Jefferies & Company - Analyst*

Okay. Great. And last one for me, you mentioned additional acquisitions. I guess in the pipeline, when you think about the cash needs of just holding cash on the balance sheet, at what point do you level off in terms of M&A? What's your minimum balance sheet you would hold?

Matt Brown - U.S. Concrete, Inc. - SVP & CFO

Well, as far as the minimum cash balance, we would take a cash balance of between $5 million and $10 million, which is actually what we had before we put the bonds into place, and we were drawing on the revolver.

So we would use the remaining cash on the balance sheet to pursue acquisitions that's left over after the two we just did, and then we would start drawing on the revolver. So we believe $5 million to $10 million of cash on the balance sheet is minimum cash balance.

Seth Yeager - *Jefferies & Company - Analyst*

Okay. Great. Thanks a lot, guys. Good luck.

Operator

Thank you. Our next question comes from the line of Jon Evans with J. West, LLC. Your line is now open.

Jon Evans - *JWest, LLC - Analyst*

Can you discuss just a little bit about the New York or the Northeast market? And obviously that market doesn't seem to be as profitable as Texas and San Francisco for you. And I guess I'm curious, as you look at the opportunity on acquisitions, what has to happen in that market for it to become a more profitable market in general for everyone?

Bill Sandbrook - *U.S. Concrete, Inc. - President & CEO*

Sure. I'll take that, Jon. The New York and New Jersey market, they are separate markets. New York City is a market to itself, and northern New Jersey is a market to itself. These are fragmented markets. The biggest characteristic of these markets versus our other markets is there are more players. Some are union. Some are nonunion. Obviously in Texas we all compete on a level playing field in a non-unionized environment, and in California where a large part in the main Silicon Valley market, it's also a unionized market where everybody plays on the same field.

Now in New York and New Jersey, there is a combination of union and nonunion players which have different cost structures and actually focus on different parts of the market segment. The main difference, again, though, is there are a significant number of players in those markets, which adds to a level of enhanced competition.

Jon Evans - *JWest, LLC - Analyst*

So is that basically because of the diversity in that market? Sometimes pricing may be irrational, even though the demand is pretty frothy or pretty strong. Is that fair to say?

Bill Sandbrook - ***U.S. Concrete, Inc. - President & CEO***

That's correct. And remember, our strategy is to compete for the high-end projects in order to have a limited number of participants that can actually bid or accomplish the projects that we do such as the World Trade Center, a very highly complex, very demanding project. So that is how we strategize and attack that market -- to be the high-end producer with a limited number of competitors that we have to compete with for those projects.

Jon Evans - ***JWest, LLC - Analyst***

Got it. And then can you talk a little bit about the San Francisco market? Obviously you guys have a great opportunity there. You have a great share. Can you talk just a little bit about the market, the demand that you are seeing as you go into 2015 and the pricing environment? I think there's been some announcement of price increases there also?

Bill Sandbrook - ***U.S. Concrete, Inc. - President & CEO***

On the demand side, our forward order book in San Francisco is extremely healthy, and in fact, the projects on the drawing board for San Francisco when they take down the old Candlestick Park, etc. is extremely healthy for a number of years. The pricing dynamics in San Francisco are very similar to other places in that we are able to pass on our raw material increases and, in fact, expand our margins through that dynamic.

Jon Evans - ***JWest, LLC - Analyst***

Okay. And then just two last questions, on your last conference call, you spoke about Texas and how it was one of the wettest quarters that you had and some work had gotten pushed out. I guess the question I would have is, seasonally you are going into a weaker fourth quarter just from seasonality. Are there projects in Texas that are still -- need to be caught up because of that wetness that you saw in Q2, or do you get the sense that most operators have caught up?

Bill Sandbrook - ***U.S. Concrete, Inc. - President & CEO***

We had a very benign weather quarter in Texas in quarter three. So there would have been some catch up from the quarter two volumes that would have pushed later into the schedule. But the follow-on projects -- the dynamics -- specifically in the DFW market are so dynamic, that it's just a push forward and a rolling through of continual increased demand in projects.

Jon Evans - ***JWest, LLC - Analyst***

Okay. And then the final question I have for you, you talked about on the acquisition side that you want to get more vertically integrated, and I guess the question I have for you is I assume that you would like to get some aggregates. And how do you make aggregates accretive since you are trading at a multiple obviously cheaper than where aggregate guys are trading in market? So can you help us maybe think about that or what we're missing?

Bill Sandbrook - ***U.S. Concrete, Inc. - President & CEO***

Sure. The aggregate plays that you see from our publicly traded peers for long-lived reserves are elevated. There's no question that they trade at a higher multiple and are difficult to be accretive in the short-term. We're not focused on long-lived reserves that our competitors would find attractive for their business model and their portfolio. We are trying to find smaller reserves that have a limited amount of buyers' interest because they basically fall under the radar of the major players who do not want to be burned or bothered with integrating small reserves in their markets.

So we find ourselves in many situations that we would be probably one of the few or only buyers for short-lived reserves -- five years or under -- that would meet our immediate needs. Therefore, the multiples are much lower than would be the headline aggregate acquisitions that you see in the marketplace, and the reserves that we would be buying are primarily for self-consumption so that we can get short-term additional margins in our product stream and then move on from that reserve to another one to further satisfy our needs.

Jon Evans - ***JWest, LLC - Analyst***

Great. Thank you for the answers. I appreciate it.

Operator

Thank you. Our next question comes from the line of David Cohen with Midwood Capital. Your line is now open.

David Cohen - ***Midwood Capital - Analyst***

Hi, guys. Speaking to Custom-Crete, I just want to understand the distinction with that business being the volumetric producer and what that implies in terms of the strategic value of that and whether or not there are any other assets you can wrap around the infrastructure they have.

Bill Sandbrook - ***U.S. Concrete, Inc. - President & CEO***

Sure. David, the volumetric business is a lower volume, higher margin niche business in the ready-mixed field. We will be able to utilize our own existing footprints of plants not only in the DFW markets but throughout West Texas to grow that business to service other niche markets as well. We look at this as a great adjacency expansion for us in that it's still ready-mixed, it's just delivered in a little bit different vehicle than our current ready-mixed trucks. But strategically a very high margin business, and the Custom-Crete management team and their ability to execute is unparalleled in the industry.

David Cohen - ***Midwood Capital - Analyst***

Okay. And are there ready-mixed opportunities in markets like San Antonio, Houston, and Austin? Are you sort of always seeing those kinds of things?

Bill Sandbrook - ***U.S. Concrete, Inc. - President & CEO***

The operations that we picked up through Custom-Crete in Austin, San Antonio and Houston can potentially be expanded within the volumetric business and can give us a little toehold into creating new business platforms for our fousr ready-mixed businesses.

David Cohen - ***Midwood Capital - Analyst***

Okay. Thanks.

Operator

Thank you. Our next question comes from the line of Yilma Abebe with J.P. Morgan. Your line is now open.

Yilma Abebe - ***JPMorgan - Analyst***

Thank you. Good morning. As you look at acquisition opportunities and investing in your existing businesses, from a financial policy perspective, how do you look at leverage both near-term and through the cycle?

Matt Brown - U.S. Concrete, Inc. - SVP & CFO

Sure. So currently we are at 3.3 times gross leverage and 1.9 times net leverage. That's come down since we did our bond offering in November 2013 from about 4.5 times gross. So at this point, in terms of long-term targets, we are looking at 2 to 3 times both gross and net leverage. Those will converge as we use cash and move toward that level.

Having said that, in the near term, given the size of the acquisition pipeline, we could potentially take that leverage up a bit higher to something akin to what we saw in the last bond offering and then bring it down as we go forward from there with the acquisitions -- with the EBITDA we are bringing in from the acquisitions.

Yilma Abebe *- JPMorgan - Analyst*

Okay. Thank you. On the acquisition pipeline, what's behind, I guess, the nature of the pipeline here? Are more assets coming up for sale here? Are valuations at attractive levels where transactions are getting done? Any context or color around the active pipeline?

Bill Sandbrook *- U.S. Concrete, Inc. - President & CEO*

Sure, Yilma. We found in the past six months to eight months, a very increased interest from owners that survived through the cycle, put a fairly profitable year to their bottom line in 2013, find themselves with very weak or no succession plans and, frankly, not having a stomach to go through the depth and breadth of a recession that they had endured through 2007 and basically want to cash out. The valuations are -- I would say to some extent the expectations are somewhat elevated, but through negotiation we are finding similar cyclical opportunities as in the early 2000s.

Yilma Abebe *- JPMorgan - Analyst*

Thank you very much. That's all I had.

Operator

Thank you. And we have a follow-up from Arnie Ursaner, from CJS Securities. Your line is now open.

Arnie Ursaner *- CJS Securities - Analyst*

A couple of follow-up questions. One is that a public company in the cement area has indicated that the state of Texas is essentially sold out for the rest of the year. I guess I'm trying to make sure you believe you have adequate supplies at prices that enable you to continue to improve your margin.

Bill Sandbrook *- U.S. Concrete, Inc. - President & CEO*

We have ample supply and currently do not anticipate any difficulty in obtaining cement at acceptable prices.

Arnie Ursaner *- CJS Securities - Analyst*

In your ready-mixed backlog, you have had a pretty good jump in backlog. Again, are you building this out -- it's kind of a two-part question -- are you looking at knowing you are going to have much higher cost increases and maybe just remind everyone about the timing of the realization of price increases you put in, given you want to make sure your contractors have adequate opportunity to react?

Bill Sandbrook *- U.S. Concrete, Inc. - President & CEO*

Sure. Our approach to pricing, it's a different dynamic than the cement companies. The cement companies pick a day and say this is the day our price is going up. What happens then is we try to negotiate a better deal. You try to negotiate a little carryover work. But by and large, the increase is effective that day.

In our business, we work off a forward order book, and pricing is project to project. Pricing does not go up on a specific day on the calendar for the majority of our work in the entire country, not just in Texas. Therefore, when you bid the follow-on project to a preferred customer or to any customer, you look at the timing of that project -- two months, three months, six months, a year down the road. You anticipate the cost inflation not only in cement, but in your other raw material costs, your labor costs, etc. and you will put a little bit more on that follow-on project than the project you just completed. But it's more of a rolling 12 constant increase of pricing, especially in this market demand, where we have ample opportunities to bid and book additional work.

Arnie Ursaner *- CJS Securities - Analyst*

Very helpful. Thanks. I want to go to the acquisition you made, and I know you are packaging them as one, which is a good thing to do, but I want to talk a little bit more again about the volumetric one. My understanding on volumetric trucks is they carry about 10% less material. Is that a decent starting point?

Bill Sandbrook *- U.S. Concrete, Inc. - President & CEO*

Yes. Maybe a little bit less than that, actually.

Arnie Ursaner *- CJS Securities - Analyst*

Okay. So it has less volume, but it has typically a much higher average selling price and margin that's above average. Is that also a good way to think of it?

Bill Sandbrook *- U.S. Concrete, Inc. - President & CEO*

That's absolutely correct.

Arnie Ursaner *- CJS Securities - Analyst*

Okay. So if I look at your revenue per truck, which was $642,000, build in less volume but a higher average selling price and margin above average, am I in the right area of thinking of revenue of around $35 million or $40 million annually on that acquisition?

Matt Brown - U.S. Concrete, Inc. - SVP & CFO

You are in the right ballpark, Arnie.

Arnie Ursaner *- CJS Securities - Analyst*

Okay. And are margins somewhere around -- if you are at 11% now, are they 100 basis points better margin than you?

Matt Brown - U.S. Concrete, Inc. - SVP & CFO

They are better than that.

Arnie Ursaner *- CJS Securities - Analyst*

Okay.

Matt Brown - U.S. Concrete, Inc. - SVP & CFO

We are not going to get too precise.

Arnie Ursaner *- CJS Securities - Analyst*

That's fine. But that will explain the difference I had in my model. That is perfect. That's exactly what I was hoping to get. Think you very much.

Operator

Thank you. As a reminder, ladies and gentlemen, that's star and then the number one key if you would like to ask a question. If your question has been answered or you wish to remove yourself from the cue, you press the pound key. As a reminder, that is star and then the number one. We'll give it one more minute for questions. And I am showing no more questions in the queue at this time. I would like to hand the call over to Mr. Bill Sandbrook for any closing statements.

Bill Sandbrook *- U.S. Concrete, Inc. - President & CEO*

Thanks, Roland. Thank you, everyone, for participating in the call this morning and for your support of U.S. Concrete. We look forward to discussing our fourth-quarter and full-year 2014 results with you in March. Have a great day. Goodbye.

Operator

Thank you very much, ladies and gentlemen. This concludes the presentation. Thank you for your participation. You may now disconnect.