



U.S. Concrete Announces First Quarter 2019 Results And Affirms Full Year Guidance

May 9, 2019

EULESS, Texas, May 9, 2019 /PRNewswire/ -- U.S. Concrete, Inc. (NASDAQ: USCR), a leading producer of construction materials in select major markets across the United States, today reported results for the quarter ended March 31, 2019.

FIRST QUARTER 2019 HIGHLIGHTS COMPARED TO FIRST QUARTER 2018¹

- Consolidated revenue increased 1.6% to \$333.1 million
- Ready-mixed concrete revenue increased 0.4% to \$290.4 million
- Aggregate products revenue increased 25.4% to \$42.9 million
- Aggregate products volume increased 17.0% to 2.5 million tons
- Operating income increased to \$7.9 million and operating income margin increased to 2.4%
- Adjusted Gross Profit² increased 4.8% to \$64.7 million and Adjusted Gross Profit Margin increased to 19.4%

¹ Certain computations within this press release may reflect rounding adjustments.

² Adjusted Gross Profit and Adjusted Gross Profit Margin are non-GAAP financial measures. Please refer to the reconciliation and other information at the end of this press release.

William J. Sandbrook, Chairman and Chief Executive Officer of U.S. Concrete, Inc. stated, "While faced with negative weather patterns, which seemingly have become routine, we are pleased to report multiple financial accomplishments, including our 33rd consecutive quarter of year-over-year revenue growth and an improved adjusted gross profit. We continue to believe these trends, including the solid runway of demand in all of our regions, reflect the strong fundamentals in the markets we serve."

Mr. Sandbrook continued, "A significant driver of the positive momentum in our Adjusted Gross Profit is the significant growth in our higher margin aggregate products segment, once again led by Polaris. We sold 2.5 million tons of aggregates during the 2019 first quarter, generating more than \$10 million of Adjusted EBITDA, which is more than double last year's first quarter."

"There are numerous positive indicators that fuel our positive outlook for continued growth and reaffirm our position in the construction market. We are focused on continuous improvement in the face of the negative weather patterns with the intent to fortify our market positions and related operating leverage. We have several internal strategic initiatives in place to help us capitalize on the robust demand within all of our regions. These initiatives are designed to improve our operating leverage, customer service, internal processes, and most importantly our ability to operate more efficiently in our seasonal and cyclical business."

OPERATING RESULTS

READY-MIXED CONCRETE SEGMENT

	Three Months Ended March 31,	
	2019	2018
<i>(\$ in millions except selling prices)</i>		
Ready-Mixed Concrete Segment:		
Revenue	\$ 290.4	\$ 289.2
Adjusted EBITDA	\$ 34.5	\$ 41.0
Ready-Mixed Concrete Data:		
Average selling price per cubic yard	\$ 139.60	\$ 136.99
Sales volume in thousand cubic yards	2,077	2,095

Revenue from the ready-mixed concrete segment increased \$1.2 million, or 0.4%, compared to the prior year first quarter, despite a weather-impacted decline in volume of 0.9%. Negative effects of rainfall in Northern California more than offset volume increases in other locations. Adjusted EBITDA in this segment was negatively impacted by weather-related delays as well as increased raw material costs. Ready-mixed concrete backlog at the end of the 2019 first quarter was 8.1 million cubic yards as compared to 7.8 million cubic yards at 2018 year-end.

AGGREGATE PRODUCTS SEGMENT

	Three Months Ended March 31,		
	2019	2018	
<i>(\$ in millions except selling prices)</i>			
Aggregate Products Segment:			
Sales to external customers	\$ 31.8	\$ 24.7	(1)
Intersegment sales	11.1	9.5	(1)
Total aggregate products revenue	<u>\$ 42.9</u>	<u>\$ 34.2</u>	(1)

Adjusted EBITDA	\$ 10.4	\$ 4.7	(1)
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Aggregate Products Data:

Average selling price per ton (2)	\$ 12.12	\$ 10.90	(1)
Sales volume in thousand tons	2,498	2,135	

- (1) During the quarter ended June 30, 2018, the Company re-characterized certain results of its Polaris Materials ("Polaris") distribution operations, which include shipping and terminal operations, to the aggregate products segment from other products and eliminations. This change was made to better reflect how the Polaris business is viewed and operated by management and more closely aligns our reporting with how the Company manages and reports its other aggregate products operations. As a result of this change, certain first quarter 2018 amounts have been reclassified from those previously reported.
- (2) The Company's calculation of the aggregate products segment average selling price ("ASP") excludes certain other ancillary revenue and Polaris's freight revenue. The Company defines revenue for its aggregate products ASP calculation as amounts billed to external and internal customers for coarse and fine aggregate products, excluding delivery charges. The Company's definition and calculation of ASP may differ from other companies in the construction materials industry.

Aggregate product sales volume increased 17.0% compared to the prior year first quarter, predominantly driven by the Company's Polaris and West Texas quarries. Adjusted EBITDA for this segment increased to \$10.4 million in the first quarter of 2019 from \$4.7 million in last year's first quarter, primarily reflecting the higher sales volume partially offset by the related higher production costs associated with the increased volume.

CONSOLIDATED FIRST QUARTER 2019 RESULTS COMPARED TO FIRST QUARTER 2018

Consolidated revenue increased 1.6% compared to the prior year first quarter. During the first quarter of 2019, operating income was \$7.9 million compared to \$7.6 million in the first quarter of 2018, with an operating income margin of 2.4% compared to 2.3% in the first quarter of 2018.

Selling, general and administrative expenses ("SG&A") as a percentage of revenue was 9.6% in the 2019 first quarter compared to 9.8% in the prior year first quarter. SG&A decreased \$0.2 million, or 0.6%, for the quarter ended March 31, 2019, in comparison to the corresponding 2018 quarter. On a non-GAAP basis, our Adjusted SG&A, which excludes non-cash stock compensation and acquisition-related costs, was 9.1% in the 2019 first quarter compared to 8.4% in the prior year first quarter. Adjusted SG&A as a percentage of revenue is a non-GAAP financial measure. Please refer to the definitions, reconciliations and other information at the end of this press release.

During the 2019 first quarter, our net loss was \$2.6 million, compared to a net loss of \$3.9 million in the 2018 first quarter.

BALANCE SHEET AND LIQUIDITY

Net cash provided by operating activities in the 2019 first quarter was \$21.9 million, compared to \$25.9 million in the prior year first quarter. The Company's Adjusted Free Cash Flow in the 2019 first quarter was \$15.1 million, as compared to \$19.5 million in the prior year first quarter. Adjusted Free Cash Flow is a non-GAAP financial measure. Please refer to the definitions, reconciliations and other information at the end of this press release.

At March 31, 2019, the Company had cash and cash equivalents of \$23.9 million and total debt of \$709.0 million, resulting in Net Debt of \$685.1 million. Net Debt decreased by \$9.0 million from December 31, 2018, as cash flow from operating activities was used to pay down debt. The Company had \$201.0 million of unused availability under its revolving credit facility at March 31, 2019, resulting in total liquidity of \$224.9 million. Net Debt is a non-GAAP financial measure. Please refer to the definitions, reconciliations and other information at the end of this press release.

FULL YEAR 2019 GUIDANCE

U.S. Concrete affirms its previously reported full year guidance:

Category	2019 Guidance	
	Low	High
Consolidated revenue	\$1.51 billion	\$1.65 billion
Total Adjusted EBITDA (1)	\$205 million	\$225 million

- (1) Because certain GAAP financial measures on a forward-looking basis are not accessible, and reconciling information is not available without unreasonable effort, we have not provided reconciliations for forward-looking non-GAAP measures.

CONFERENCE CALL AND WEBCAST DETAILS

U.S. Concrete will host a conference call on Thursday, May 9, 2019 at 10:00 a.m. Eastern Time (9:00 a.m. Central Time), to review its first quarter 2019 results. To participate in the call, please dial (877) 312-8806 – Conference ID: 4384699 at least ten minutes before the conference call begins and ask for the U.S. Concrete conference call.

A live webcast will be available on the Investor Relations section of the Company's website at www.us-concrete.com. Please visit the website at least 15 minutes before the call begins to register, download and install any necessary audio software. A replay of the conference call and archive of the webcast will be available shortly after the call on the Investor Relations section of the Company's website at www.us-concrete.com.

ABOUT U.S. CONCRETE

U.S. Concrete, Inc. (NASDAQ: USCR) is a leading supplier of concrete and aggregates for large-scale commercial, residential and infrastructure projects across the country. The Company holds leading market positions in the high-growth metropolitan markets of New York, Philadelphia, San Francisco, Dallas/Fort Worth and Washington, D.C., and its materials have been used in some of the most complex and highly specialized construction projects of the last decade. U.S. Concrete has continued to grow organically and through a series of strategic acquisitions of independent

producers in our target markets.

For more information on U.S. Concrete, visit www.us-concrete.com.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Certain statements and information provided in this press release are "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These forward-looking statements include, without limitation, statements concerning plans, objectives, goals, projections, outlook, 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," "intend," "should," "expect," "plan," "anticipate," "believe," "estimate," "outlook," "predict," "potential" or "continue," the negative of such terms or other comparable terminology. These forward-looking statements, which are subject to risks, uncertainties and assumptions about us, may include projections of our future financial performance, our anticipated growth strategies and anticipated trends in our business. These statements are predictions based on our current expectations and projections about future events which we believe are reasonable. Actual events or results may differ materially.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. We believe that these risks and uncertainties include, but are not limited to: 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, financing or deductions, 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; the effects of currency fluctuations on our results of operations and financial condition; 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, results of litigation and other claims and insurance coverage issues.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. Moreover, neither we nor any other person assumes responsibility for the accuracy and completeness of the forward-looking statements. All written and oral forward-looking statements made in connection with this press release that are attributable to us or persons acting on our behalf are expressly qualified in their entirety by the "Risk Factors" in our Annual Report on Form 10-K and our Quarterly Reports on Form 10-Q filed with the Securities and Exchange Commission. We are under no duty to update any of the forward-looking statements after the date of this press release to conform such statements to actual results or to changes in our expectations, except as required by federal securities laws. There can be no assurance that other factors will not affect the accuracy of these forward-looking statements or that our actual results will not differ materially from the results anticipated in such forward-looking statements. Unpredictable or unknown factors we have not discussed in this press release also could have material effects on actual results or matters that are the subject of our forward-looking statements. We undertake no obligation to, and do not intend to, update our description of important factors each time a potential important factor arises.

Non-GAAP Financial Measures

Included in this press release are certain non-GAAP financial measures that we believe are useful for investors. These non-GAAP financial measures may not be comparable to similarly titled measures other companies report and are not intended to be used as an alternative to any measure of our performance in accordance with GAAP.

Reconciliations and definitions of the non-GAAP measures used in this press release are included at the end of this press release. Because certain GAAP financial measures on a forward-looking basis are not accessible, and reconciling information is not available without unreasonable effort, we have not provided reconciliations for forward-looking non-GAAP measures.

(Tables Follow)

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

	Three Months Ended	
	March 31,	
	2019	2018
Revenue	\$ 333.1	\$ 327.8
Cost of goods sold before depreciation, depletion and amortization	268.4	267.2
Selling, general and administrative expenses	32.1	32.3
Depreciation, depletion and amortization	22.8	20.6
Change in value of contingent consideration	1.0	0.3
Loss (gain) on sale/disposal of assets, net	0.9	(0.2)
Operating income	7.9	7.6
Interest expense, net	11.6	11.4
Other income, net	(0.4)	(1.6)
Income (loss) before income taxes	(3.3)	(2.2)
Income tax expense (benefit)	(0.7)	1.7
Net income (loss)	(2.6)	(3.9)
Less: Net income attributable to non-controlling interest	(0.1)	—
Net income (loss) attributable to U.S. Concrete	\$ (2.7)	\$ (3.9)

Earnings (loss) per share attributable to U.S. Concrete:		
Basic earnings per share	\$ (0.16)	\$ (0.23)
Diluted earnings per share	\$ (0.16)	\$ (0.23)
Weighted average shares outstanding:		
Basic	16.3	16.4
Diluted	16.3	16.4

U.S. CONCRETE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(in millions)

	<u>March 31, 2019</u>	<u>December 31, 2018</u>
	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 23.9	\$ 20.0
Trade accounts receivable, net	225.6	226.6
Inventories	50.5	51.2
Other receivables	19.7	18.4
Prepaid expenses and other	10.0	7.9
Total current assets	<u>329.7</u>	<u>324.1</u>
Property, plant and equipment, net	672.6	680.2
Operating lease assets ⁽¹⁾	74.0	—
Goodwill	239.5	239.3
Intangible assets, net	110.5	116.6
Other assets	11.1	11.1
Total assets	<u>\$ 1,437.4</u>	<u>\$ 1,371.3</u>
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	\$ 110.3	\$ 125.8
Accrued liabilities	109.8	96.3
Current maturities of long-term debt	30.2	30.8
Current operating lease liabilities ⁽¹⁾	13.5	—
Total current liabilities	<u>263.8</u>	<u>252.9</u>
Long-term debt, net of current maturities	678.8	683.3
Long-term operating lease liabilities ⁽¹⁾	62.8	—
Other long-term obligations and deferred credits	51.5	54.8
Deferred income taxes	45.1	43.1
Total liabilities	<u>1,102.0</u>	<u>1,034.1</u>
Commitments and contingencies		
Equity:		
Preferred stock	—	—
Common stock	—	—
Additional paid-in capital	331.5	329.6
Retained earnings	13.5	16.2
Treasury stock, at cost	(34.5)	(33.4)
Total shareholders' equity	<u>310.5</u>	<u>312.4</u>
Non-controlling interest	24.9	24.8
Total equity	<u>335.4</u>	<u>337.2</u>
Total liabilities and equity	<u>\$ 1,437.4</u>	<u>\$ 1,371.3</u>

(1) Beginning with the first quarter of 2019, we adopted new lease accounting rules. As allowed, we did not revise amounts for prior periods. See our 2018 Annual Report on Form 10-K for more information.

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

	Three Months Ended	
	March 31,	
	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	\$ (2.6)	\$ (3.9)

Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion and amortization	22.8	20.6
Amortization of debt issuance costs	0.4	0.5
Change in value of contingent consideration	1.0	0.3
Loss (gain) on sale/disposal of assets, net	0.9	(0.2)
Deferred income taxes	2.2	(0.5)
Provision for doubtful accounts and customer disputes	0.4	1.0
Stock-based compensation	1.7	2.2
Other, net	(0.5)	(0.2)
Changes in assets and liabilities, excluding effects of acquisitions:		
Accounts receivable	0.6	(0.1)
Inventories	0.7	1.4
Prepaid expenses and other current assets	(3.5)	(1.8)
Other assets and liabilities	(1.0)	(1.3)
Accounts payable and accrued liabilities	(1.2)	7.9
Net cash provided by operating activities	<u>21.9</u>	<u>25.9</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property, plant and equipment	(7.2)	(8.4)
Payments for acquisitions, net of cash acquired	—	(60.3)
Proceeds from disposals of businesses and property, plant and equipment	0.4	0.4
Insurance proceeds from property loss claims	—	1.6
Net cash used in investing activities	<u>(6.8)</u>	<u>(66.7)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from revolver borrowings	76.3	135.7
Repayments of revolver borrowings	(74.8)	(69.7)
Proceeds from stock option exercises	0.2	—
Payments of other long-term obligations	(3.7)	(3.5)
Payments for other financing	(8.1)	(6.4)
Other treasury share purchases	(1.1)	(1.2)
Net cash provided by (used in) financing activities	<u>(11.2)</u>	<u>54.9</u>
EFFECT OF EXCHANGE RATES ON CASH AND CASH EQUIVALENTS	—	(0.1)
NET INCREASE IN CASH AND CASH EQUIVALENTS	3.9	14.0
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	20.0	22.6
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>\$ 23.9</u>	<u>\$ 36.6</u>

NON-GAAP FINANCIAL MEASURES
(Unaudited)

Total Adjusted EBITDA and Total Adjusted EBITDA Margin

Total Adjusted EBITDA and Total Adjusted EBITDA Margin are non-GAAP financial measures. We define Total Adjusted EBITDA as our net income (loss), excluding the impact of income tax expense (benefit), depreciation, depletion and amortization, net interest expense and certain other non-cash, non-recurring and/or unusual, non-operating items including, but not limited to: non-cash stock compensation expense, non-cash change in value of contingent consideration, impairment of assets, acquisition-related costs, officer transition expenses, quarry dredge costs for specific event and hurricane-related losses, net of recoveries. Acquisition-related costs consist of fees and expenses for accountants, lawyers and other professionals incurred during the negotiation and closing of strategic acquisitions and certain acquired entities' management severance costs. Acquisition-related costs do not include fees or expenses associated with post-closing integration of strategic acquisitions. We define Total Adjusted EBITDA Margin as the amount determined by dividing Total Adjusted EBITDA by total revenue. We have included Total Adjusted EBITDA and Total Adjusted EBITDA Margin herein because they are widely used by investors for valuation and comparing our financial performance with the performance of other building material companies. We also use Total Adjusted EBITDA and Total Adjusted EBITDA Margin to monitor and compare the financial performance of our operations. Total Adjusted EBITDA does not give effect to the cash we must use to service our debt or pay our income taxes and thus does not reflect the funds actually available for capital expenditures. In addition, our presentation of Total Adjusted EBITDA may not be comparable to similarly titled measures other companies report. Total Adjusted EBITDA and Total Adjusted EBITDA Margin are not intended to be used as an alternative to any measure of our performance in accordance with GAAP. The following table reconciles Total Adjusted EBITDA to the most directly comparable GAAP financial measure, which is net income (loss) (in millions).

	Three Months Ended	
	March 31,	
	2019	2018
Total Adjusted EBITDA Reconciliation		
Net income (loss)	\$ (2.6)	\$ (3.9)
Add/subtract: Income tax expense (benefit)	<u>(0.7)</u>	<u>1.7</u>
Income (loss) before income taxes	(3.3)	(2.2)
Add: Depreciation, depletion and amortization	22.8	20.6
Add: Interest expense, net	11.6	11.4
Add: Non-cash stock compensation expense	1.7	2.2
Add: Non-cash change in value of contingent consideration	1.0	0.3
Add: Acquisition-related costs	0.1	2.5
Add: Loss on mixer truck fire	0.6	—
Add: Quarry dredge costs for specific event	—	0.2
Add: Hurricane-related losses, net of recoveries	—	0.3

Add: Purchase accounting adjustments for inventory	—	0.7
Total Adjusted EBITDA	<u>\$ 34.5</u>	<u>\$ 36.0</u>
Net income (loss) margin	(0.8) %	(1.2) %
Total Adjusted EBITDA Margin	10.4 %	11.0 %

Adjusted Gross Profit and Adjusted Gross Margin

Adjusted Gross Profit and Adjusted Gross Margin are non-GAAP financial measures. We define Adjusted Gross Profit as our operating income, excluding the impact of depreciation, depletion and amortization ("DD&A"), selling, general and administrative expenses, change in value of contingent consideration, quarry dredge costs for specific event, hurricane-related losses in COGS before DD&A, purchase accounting adjustments for inventory and loss (gain) on sale/disposal of assets, net. We define Adjusted Gross Margin as the amount determined by dividing Adjusted Gross Profit by total revenue. We have included Adjusted Gross Profit and Adjusted Gross Margin herein because they are widely used by investors for valuing and comparing our financial performance from period to period. We also use Adjusted Gross Profit and Adjusted Gross Margin to monitor and compare the financial performance of our operations. Adjusted Gross Profit and Adjusted Gross Margin are not intended to be used as an alternative to any measure of our performance in accordance with GAAP. The following table reconciles Adjusted Gross Profit to the most directly comparable GAAP financial measure, which is operating income (in millions).

	Three Months Ended March 31,	
	2019	2018
Adjusted Gross Profit Reconciliation		
Operating income	\$ 7.9	\$ 7.6
Add: Depreciation, depletion and amortization	22.8	20.6
Add: Selling, general and administrative expenses	32.1	32.3
Add: Change in value of contingent consideration	1.0	0.3
Add: Quarry dredge costs for specific event	—	0.2
Add: Hurricane-related losses in COGS before DD&A	—	0.3
Add: Purchase accounting adjustments for inventory	—	0.7
Add/Subtract: Loss (gain) on sale/disposal of assets, net	0.9	(0.2)
Adjusted Gross Profit	<u>\$ 64.7</u>	<u>\$ 61.8</u>
Operating income margin	2.4 %	2.3 %
Adjusted Gross Profit Margin	19.4 %	18.8 %

Adjusted SG&A and Adjusted SG&A as a Percentage of Revenue

Adjusted selling, general and administrative expenses ("SG&A") and Adjusted SG&A as a percentage of revenue are non-GAAP financial measures. We define Adjusted SG&A as selling, general and administrative expenses, excluding the impact of non-cash stock compensation expense and acquisition-related costs. We define Adjusted SG&A as a percentage of revenue as Adjusted SG&A divided by total revenue. We have included Adjusted SG&A and Adjusted SG&A as a percentage of revenue herein because they are used by investors to compare our SG&A leverage with the performance of other building materials companies. We use Adjusted SG&A and Adjusted SG&A as a percentage of revenue to monitor and compare the financial performance of our operations. Adjusted SG&A and Adjusted SG&A as a percentage of revenue are not intended to be used as an alternative to any measure of our performance under GAAP. The following table reconciles Adjusted SG&A to the most directly comparable GAAP financial measure, which is SG&A (in millions).

	Three Months Ended March 31,	
	2019	2018
Adjusted SG&A		
Selling, general and administrative expenses	\$ 32.1	\$ 32.3
Subtract: Non-cash stock compensation expense	(1.7)	(2.2)
Subtract: Acquisition-related costs	(0.1)	(2.5)
Adjusted SG&A	<u>\$ 30.3</u>	<u>\$ 27.6</u>
SG&A as a percentage of revenue	9.6 %	9.8 %
Adjusted SG&A as a percentage of revenue	9.1 %	8.4 %

Adjusted Net Income Attributable to U.S. Concrete and Adjusted Net Income Attributable to U.S. Concrete per Diluted Share

Adjusted Net Income Attributable to U.S. Concrete and Adjusted Net Income Attributable to U.S. Concrete per Diluted Share are non-GAAP financial measures. We define Adjusted Net Income Attributable to U.S. Concrete as net income (loss) attributable to U.S. Concrete, net of taxes, income tax expense (benefit) and certain other non-cash, non-recurring and/or unusual, non-operating items including, but not limited to: non-cash stock compensation expense, non-cash change in value of contingent consideration, impairment of assets, acquisition-related costs, officer transition expenses, quarry dredge costs for specific event and hurricane-related losses, net of recoveries. We also adjust Adjusted Net Income Attributable to U.S. Concrete for a normalized effective income tax rate of 27%. We define Adjusted Net Income Attributable to U.S. Concrete per Diluted Share as Adjusted Net Income Attributable to U.S. Concrete on a diluted per share basis. Acquisition-related costs consist of fees and expenses for accountants, lawyers and other professionals incurred during the negotiation and closing of strategic acquisitions and certain acquired entities' management severance costs. Acquisition-related costs do not include fees or expenses associated with post-closing integration of strategic acquisitions.

We have included Adjusted Net Income Attributable to U.S. Concrete and Adjusted Net Income Attributable to U.S. Concrete per Diluted Share herein because they are used by investors for valuation and comparing our financial performance with the performance of other building material companies.

We use Adjusted Net Income Attributable to U.S. Concrete and Adjusted Net Income Attributable to U.S. Concrete per Diluted Share to monitor and compare the financial performance of our operations. Adjusted Net Income Attributable to U.S. Concrete and Adjusted Net Income Attributable to U.S. Concrete per Diluted Share are not intended to be used as an alternative to any measure of our performance in accordance with GAAP.

The following tables reconcile (i) Adjusted Net Income Attributable to U.S. Concrete to the most directly comparable GAAP financial measure, which is net income (loss) attributable to U.S. Concrete and (ii) Adjusted Net Income Attributable to U.S. Concrete per Diluted Share to the most directly comparable GAAP financial measure, which is net income (loss) attributable to U.S. Concrete per diluted share (in millions except per share amounts).

	Three Months Ended March 31,	
	2019	2018
Adjusted Net Income Attributable to U.S. Concrete Reconciliation		
Net income (loss) attributable to U.S. Concrete	\$ (2.7)	\$ (3.9)
Add/subtract: Income tax expense (benefit)	(0.7)	1.7
Adjusted income (loss) before income taxes	(3.4)	(2.2)
Add: Non-cash stock compensation expense	1.7	2.2
Add: Non-cash change in value of contingent consideration	1.0	0.3
Add: Acquisition-related costs	0.1	2.5
Add: Loss on mixer truck fire	0.6	—
Add: Quarry dredge costs for specific event	—	0.2
Add: Hurricane-related losses, net of recoveries	—	0.3
Add: Purchase accounting adjustments for inventory	—	0.7
Adjusted income before income taxes	0.0	4.0
Subtract: Normalized income tax expense ⁽¹⁾	—	(1.1)
Adjusted Net Income Attributable to U.S. Concrete	<u>\$ 0.0</u>	<u>\$ 2.9</u>

(1) Assumes a normalized effective tax rate of 27% in all periods.

	Three Months Ended March 31,	
	2019	2018
Adjusted Net Income Attributable to U.S. Concrete per Diluted Share Reconciliation ⁽¹⁾		
Net income (loss) attributable to U.S. Concrete	\$ (0.16)	\$ (0.23)
Add/subtract: Income tax expense (benefit)	(0.04)	0.10
Adjusted income (loss) before income taxes	(0.20)	(0.13)
Add: Impact of non-cash stock compensation expense	0.10	0.13
Add: Impact of non-cash change in value of contingent consideration	0.06	0.02
Add: Impact of acquisition-related costs	—	0.16
Add: Impact of loss on mixer truck fire	0.04	—
Add: Impact of quarry dredge costs for specific event	—	0.01
Add: Impact of hurricane-related losses, net of recoveries	—	0.02
Add: Impact of purchase accounting adjustments for inventory	—	0.04
Adjusted income before income taxes	0.00	0.25
Subtract: Normalized income tax expense ⁽²⁾	—	(0.07)
Adjusted Net Income Attributable to U.S. Concrete per Diluted Share	<u>\$ 0.00</u>	<u>\$ 0.18</u>

(1) Net loss per diluted share for the three months ended March 31, 2019 and 2018 excluded common stock equivalents of 0.1 million shares from our options and restricted stock as their impact was anti-dilutive based on the net loss for the period; however, these common stock equivalents were used in the calculation of Adjusted Net Income Attributable to U.S. Concrete per Diluted Share.

(2) Assumed a normalized effective tax rate of 27% in all periods.

Adjusted Free Cash Flow

Adjusted Free Cash Flow is a non-GAAP financial measure. We define Adjusted Free Cash Flow as net cash provided by operating activities less purchases of property, plant and equipment plus proceeds from the disposal of businesses and property, plant and equipment and insurance proceeds from property loss claims. We consider Adjusted Free Cash Flow to be an important indicator of our ability to service our debt and generate cash for acquisitions and other strategic investments. However, Adjusted Free Cash Flow is not intended to be used as an alternative to any measure of our liquidity in accordance with GAAP. The following table reconciles Adjusted Free Cash Flow to the most directly comparable GAAP financial measure, which is net cash provided by operating activities (in millions).

	Three Months Ended March 31,	
	2019	2018
Adjusted Free Cash Flow Reconciliation		
Net cash provided by operating activities	\$ 21.9	\$ 25.9
Subtract: Purchases of property, plant and equipment	(7.2)	(8.4)
Add: Proceeds from disposals of businesses and property, plant and equipment	0.4	0.4
Add: Insurance proceeds from property loss claims	—	1.6

Adjusted Free Cash Flow

\$ 15.1 \$ 19.5

Net Debt

Net Debt is a non-GAAP financial measure. We define Net Debt as total debt, including current maturities and capital lease obligations, less cash and cash equivalents. We believe that Net Debt is useful to investors as a measure of our financial position. We use Net Debt to monitor and compare our financial position from period to period. However, Net Debt is not intended to be used as an alternative to any measure of our financial position in accordance with GAAP. The following table reconciles Net Debt to the most directly comparable GAAP financial measure, which is total debt, including current maturities and capital lease obligations (in millions).

	<u>As of March 31, 2019</u>	<u>As of December 31, 2018</u>
Net Debt Reconciliation		
Total debt, including current maturities and finance lease obligations	\$ 709.0	\$ 714.1
Subtract: cash and cash equivalents	<u>(23.9)</u>	<u>(20.0)</u>
Net Debt	<u>\$ 685.1</u>	<u>\$ 694.1</u>

Net Debt to Total Adjusted EBITDA

Net Debt to Total Adjusted EBITDA is a non-GAAP financial measure. We define Net Debt to Total Adjusted EBITDA as Net Debt divided by Total Adjusted EBITDA for the applicable last twelve-month period. We define Total Adjusted EBITDA as our net income (loss), excluding the impact of income tax expense (benefit), depreciation, depletion and amortization, net interest expense and certain other non-cash, non-recurring and/or unusual, non-operating items including, but not limited to: non-cash stock compensation expense, non-cash change in value of contingent consideration, impairment of assets, acquisition-related costs, officer transition expenses, quarry dredge costs for specific event and hurricane-related losses, net of recoveries. We believe that Net Debt to Total Adjusted EBITDA is useful to investors as a measure of our financial position. We use this measure to monitor and compare our financial position from period to period. However, Net Debt to Total Adjusted EBITDA is not intended to be used as an alternative to any measure of our financial position in accordance with GAAP. The following table presents our calculation of Net Debt to Total Adjusted EBITDA and the most directly comparable GAAP ratio, which is total debt to last twelve months ("LTM") net income (in millions).

	<u>Twelve Months Ending March 31, 2019</u>
Total Adjusted EBITDA Reconciliation	
Net income	\$ 32.6
Add: Income tax expense	<u>14.4</u>
Income before income taxes	47.0
Add: Depreciation, depletion and amortization	94.0
Add: Interest expense, net	46.6
Add: Non-cash stock compensation expense	9.9
Add: Non-cash change in value of contingent consideration	0.7
Add: Impairment of assets	1.3
Add: Acquisition-related costs	3.8
Add: Loss on mixer truck fire	0.6
Add: Quarry dredge costs for specific event	0.9
Add: Eminent domain costs	0.7
Add: Litigation settlement cost	2.1
Add: Purchase accounting adjustments for inventory	0.1
Subtract: Hurricane-related losses, net of recoveries	<u>(1.1)</u>
Subtract: Gain on sale of business	<u>(14.6)</u>
Total Adjusted EBITDA	<u>\$ 192.0</u>
Net Debt	<u>\$ 685.1</u>
Total debt to LTM income from continuing operations	21.8x
Net Debt to Total Adjusted EBITDA as of March 31, 2019	3.6x

Source: USCR-G

Contact: U.S. Concrete, Inc. Investor Relations
844-828-4774
IR@us-concrete.com

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