



## U.S. Concrete Announces Third Quarter 2020 Results

October 29, 2020

EULESS, Texas, Oct. 29, 2020 /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 September 30, 2020.

### THIRD QUARTER 2020 RESULTS<sup>(1)</sup> AND HIGHLIGHTS, INCLUDING RECORD AGGREGATE RESULTS

- Consolidated revenue was \$374.2 million
- Aggregate products revenue was \$63.6 million, an all-time quarterly high
- Aggregate products average selling price per ton, \$13.37, and volumes sold, 3.7 million, were both all-time quarterly highs
- Aggregate products Adjusted EBITDA was \$26.8 million, an all-time quarterly high and a 64.4% increase compared to the prior year third quarter
- Net income was \$24.1 million
- Total Adjusted EBITDA<sup>(2)</sup> increased 2.9% to \$63.9 million compared to the prior year third quarter
- Net income margin was 6.4% and Total Adjusted EBITDA Margin<sup>(2)</sup> was 17.1%
- Net cash provided by operating activities increased 19.0% to \$61.3 million compared to the prior year third quarter
- Adjusted Free Cash Flow<sup>(2)</sup> increased 40.7% to \$58.4 million compared to the prior year third quarter
- Completed a \$400.0 million private placement of 5.125% senior unsecured notes due 2029

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

(2) Total Adjusted EBITDA, Adjusted Free Cash Flow and related margins are non-GAAP financial measures. Please refer to the reconciliations and other information at the end of this press release.

Ronnie Pruitt, President and Chief Executive Officer of U.S. Concrete, Inc. stated, "We believe our business is well positioned to continue to deliver strong results, both in the short and long term. We are very proud to announce record results for the quarter, and record six-month results when combining the second and third quarters of 2020, all in the context of lower revenues amid the pandemic. The transformation we have undertaken over the past several years to reshape our portfolio and capabilities for growth and better margins has proven critical in enabling us to respond to the changing dynamics in the current environment. Our diversified portfolio of operating assets, commitment to innovate, and agile culture have allowed us to respond to the construction demand in the markets that we serve and positions us to deliver meaningful financial results into the future."

### OPERATING RESULTS

#### AGGREGATE PRODUCTS SEGMENT

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
(\$ in millions except selling prices)	2020	2019	2020	2019
<b>Aggregate Products Segment:</b>				
Sales to external customers	\$ 45.2	\$ 37.9	\$ 114.5	\$ 105.8
Intersegment sales	18.4	15.0	47.2	39.5
Total aggregate products revenue	<u>\$ 63.6</u>	<u>\$ 52.9</u>	<u>\$ 161.7</u>	<u>\$ 145.3</u>
Adjusted EBITDA	\$ 26.8	\$ 16.3	\$ 59.7	\$ 38.9
<b>Aggregate Products Data:</b>				
Average selling price ("ASP") per ton <sup>(1)</sup>	\$ 13.37	\$ 11.86	\$ 12.87	\$ 11.93
Sales volume in thousand tons	3,663	3,116	9,483	8,492

(1) The calculation of ASP excludes certain other ancillary revenue and certain 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 products revenue increased \$10.7 million in the third quarter of 2020 to an all-time high of \$63.6 million, resulting from a 17.6% increase in sales volume and a 12.7% increase in average selling price related to the favorable mix of products sold compared to the third quarter of 2019.

Aggregate products Adjusted EBITDA of \$26.8 million in the third quarter of 2020 increased 64.4% from the third quarter of 2019, primarily related to improved operating efficiencies, increased production volume at the Company's Texas aggregates operations, and the profitability from the Coram Materials business acquired earlier this year.

#### READY-MIXED CONCRETE SEGMENT

	Three Months Ended	Nine Months Ended
	September 30,	September 30,

(\$ in millions except selling prices)	2020	2019	2020	2019
<b>Ready-Mixed Concrete Segment:</b>				
Revenue	\$ 313.3	\$ 354.1	\$ 877.9	\$ 958.5
Adjusted EBITDA	\$ 45.9	\$ 51.5	\$ 115.7	\$ 124.1
<b>Ready-Mixed Concrete Data:</b>				
ASP per cubic yard <sup>(1)</sup>	\$ 141.38	\$ 138.54	\$ 140.99	\$ 138.81
Sales volume in thousand cubic yards	2,213	2,551	6,216	6,892

(1) Calculation excludes certain ancillary revenue that is reported within the segment.

Revenue from the ready-mixed concrete segment for the third quarter of 2020 decreased \$40.8 million, or 11.5%, compared to the prior year third quarter, as the business continued to be impacted by regional effects of the pandemic, including certain construction project delays and cement supply shortages. Partially offsetting the impact of the volume decline on revenue, overall ASP increased due to changes in the product and geographical mix of revenue compared to the third quarter of 2019. Despite the volume decline, business contingency actions, including labor management, concrete mix optimization, higher asset utilization and delivery efficiencies, which included lower fuel expenses, reduced the impact to Adjusted EBITDA in the third quarter of 2020. Adjusted EBITDA as a percentage of revenue improved in the third quarter of 2020 compared to the third quarter of 2019 aided by our overall cost containment efforts.

### CONSOLIDATED THIRD QUARTER 2020 RESULTS COMPARED TO THIRD QUARTER 2019

Consolidated revenue decreased \$34.7 million, or 8.5%, compared to the prior year third quarter, primarily as a result of lower ready-mixed concrete volumes, which were partially offset by record revenue from aggregate products. During the third quarter of 2020, operating income was \$32.3 million compared to \$33.3 million in the third quarter of 2019, with an operating income margin of 8.6% compared to 8.1% in the third quarter of 2019. Aggressive cost containment measures, operating efficiencies, growth from the aggregate products segment, which included the Coram Materials acquisition, and lower fuel expenses helped to mitigate the impact on operating income from lower revenue.

Selling, general and administrative expenses ("SG&A") were \$32.1 million in the third quarter of 2020 compared to \$32.0 million in the third quarter of 2019. SG&A as a percentage of revenue was 8.6% in the third quarter of 2020 compared to 7.8% in the prior year third quarter. On a non-GAAP basis, Adjusted SG&A, which excludes non-cash stock compensation, acquisition-related costs, a pension withdrawal liability, and realignment initiative costs, was 7.3% of revenue in the 2020 third quarter compared to 6.3% in the prior year third quarter, with reduced leverage due to the lower sales volumes. 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.

The income tax benefit for the third quarter of 2020 included the impact of \$10.2 million of tax benefits related to the finalization of the interest limitation provisions contained in the Tax Cuts and Jobs Act and the net operating loss carryback provisions of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act").

### BALANCE SHEET AND LIQUIDITY

Net cash provided by operating activities in the third quarter of 2020 increased 19.0% to \$61.3 million, compared to \$51.5 million in the prior year third quarter. The Company's Adjusted Free Cash Flow in the third quarter of 2020 increased 40.7% to \$58.4 million, compared to \$41.5 million in the prior year third 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.

On September 23, 2020, U.S. Concrete completed a private offering of \$400.0 million aggregate principal amount of 5.125% senior unsecured notes due 2029. In October 2020, the Company used the net proceeds from that notes offering plus borrowings from its revolving credit facility to redeem \$400.0 million of its outstanding 6.375% senior unsecured notes due 2024. As of September 30, 2020, the Company had available borrowing capacity of \$240.4 million under its revolving credit facility and \$179.6 million under its delayed draw term loan facility, resulting in total liquidity of \$825.5 million when combined with its cash balances. At September 30, 2020, U.S. Concrete had cash and cash equivalents of \$405.5 million and total debt of \$1,102.8 million, resulting in Net Debt of \$697.3 million. Net Debt as of September 30, 2020 increased \$50.6 million from December 31, 2019 due primarily to the acquisition of Coram Materials in February 2020. Net debt at September 30, 2020 decreased \$44.1 million from June 30, 2020 following positive cash flow performance. Net Debt is a non-GAAP financial measure. Please refer to the definitions, reconciliations, and other information at the end of this press release.

### CONFERENCE CALL AND WEBCAST DETAILS

U.S. Concrete will host a conference call on Thursday, October 29, 2020 at 10:00 a.m. Eastern Time (9:00 a.m. Central Time), to review its third quarter 2020 results. To participate in the call, please dial (877) 312-8806 – Conference ID: 9977758 at least 20 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](http://www.us-concrete.com). Please visit the website at least 20 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](http://www.us-concrete.com).

### 2020 INVESTOR DAY

U.S. Concrete will host a virtual Investor Day on Thursday, November 12, 2020 at 10:30 a.m. Eastern Time (9:30 a.m. Central Time). The event will include presentations on the Company's business strategy from Ronnie Pruitt, U.S. Concrete's President and Chief Executive Officer, and John Kunz, Senior Vice President and Chief Financial Officer. The live webcast and presentation slides will be available on the Investor Relations section of the Company's website at [www.us-concrete.com](http://www.us-concrete.com). A replay of the event will also be made available on the Company's website following the event.

### ABOUT U.S. CONCRETE

U.S. Concrete, Inc. (NASDAQ: USCR) is a leading supplier of aggregates and concrete for infrastructure, residential and commercial projects across

the country. The Company holds leading market positions in the high-growth metropolitan markets of Dallas/Fort Worth, San Francisco, New York City, Philadelphia, 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](http://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. These risks and uncertainties also include the effects of COVID-19; the length and severity of the COVID-19 pandemic; the pace of recovery following the COVID-19 pandemic; our ability to implement cost containment strategies; and the adverse effects of the COVID-19 pandemic on our business, the economy and the markets we serve.

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 financial 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 financial measures.

(Tables Follow)

#### CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited) (in millions except per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Revenue	\$ 374.2	\$ 408.9	\$ 1,031.3	\$ 1,109.5
Cost of goods sold before depreciation, depletion and amortization	283.9	321.2	807.9	886.4
Selling, general and administrative expenses	32.1	32.0	97.5	103.3
Depreciation, depletion and amortization	25.8	22.3	74.4	70.2
Change in value of contingent consideration	0.1	0.3	(5.4)	1.6
Loss (gain) on sale/disposal of assets, net	—	(0.2)	(0.1)	0.8
Operating income	32.3	33.3	57.0	47.2
Interest expense, net	12.0	11.6	34.8	34.8
Other income, net	(0.4)	(0.2)	(1.6)	(7.8)
Income before income taxes	20.7	21.9	23.8	20.2
Income tax expense (benefit)	(3.4)	8.3	(4.0)	8.3

Net income	24.1	13.6	27.8	11.9
Less: Net income attributable to non-controlling interest	0.6	0.6	0.8	0.9
Net income attributable to U.S. Concrete	<u>\$ 23.5</u>	<u>\$ 13.0</u>	<u>\$ 27.0</u>	<u>\$ 11.0</u>
Earnings per share attributable to U.S. Concrete:				
Basic	\$ 1.42	\$ 0.79	\$ 1.63	\$ 0.67
Diluted	\$ 1.42	\$ 0.79	\$ 1.63	\$ 0.67
Weighted average shares outstanding:				
Basic	16.6	16.5	16.6	16.4
Diluted	16.6	16.5	16.6	16.4

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

	<u>September 30, 2020</u>	<u>December 31, 2019</u>
	(Unaudited)	
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 405.5	\$ 40.6
Trade accounts receivable, net	232.4	233.1
Inventories	68.9	59.0
Other receivables, net	10.2	8.4
Prepaid expenses and other	10.9	7.9
Total current assets	<u>727.9</u>	<u>349.0</u>
Property, plant and equipment, net	786.7	673.5
Operating lease assets	69.7	69.8
Goodwill	239.5	239.5
Intangible assets, net	76.6	92.4
Other assets	15.3	9.1
Total assets	<u>\$ 1,915.7</u>	<u>\$ 1,433.3</u>
<b>LIABILITIES AND EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 137.2	\$ 136.4
Accrued liabilities	99.4	63.5
Current maturities of long-term debt	435.0	32.5
Current operating lease liabilities	14.0	12.9
Total current liabilities	<u>685.6</u>	<u>245.3</u>
Long-term debt, net of current maturities	667.8	654.8
Long-term operating lease liabilities	59.1	59.7
Other long-term obligations and deferred credits	45.5	49.1
Deferred income taxes	56.1	54.8
Total liabilities	<u>1,514.1</u>	<u>1,063.7</u>
Commitments and contingencies		
Equity:		
Additional paid-in capital	361.0	348.9
Retained earnings	54.8	31.1
Treasury stock, at cost	(37.9)	(36.6)
Total shareholders' equity	<u>377.9</u>	<u>343.4</u>
Non-controlling interest	23.7	26.2
Total equity	<u>401.6</u>	<u>369.6</u>
Total liabilities and equity	<u>\$ 1,915.7</u>	<u>\$ 1,433.3</u>

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

	<u>Nine months ended September 30,</u>	
	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 27.8	\$ 11.9
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion and amortization	74.4	70.2
Amortization of debt issuance costs	1.6	1.3
Change in value of contingent consideration	(5.4)	1.6

Gains from eminent domain matter and property insurance claims	—	(6.0)
Deferred income taxes	2.1	2.0
Provision for doubtful accounts and customer disputes	1.7	2.2
Stock-based compensation	8.8	16.4
Other, net	(1.3)	(0.2)
Changes in assets and liabilities, excluding effects of acquisitions:		
Accounts receivable	(3.4)	(33.9)
Inventories	(2.0)	(2.7)
Prepaid expenses and other current assets	(4.4)	2.9
Other assets and liabilities	9.8	(1.3)
Accounts payable and accrued liabilities	35.7	27.7
Net cash provided by operating activities	145.4	92.1
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of property, plant and equipment	(17.5)	(28.6)
Payment for acquisition of business	(141.8)	—
Proceeds from sale of property, plant and equipment	0.7	1.2
Proceeds from eminent domain matter and property insurance claims	—	6.0
Net cash used in investing activities	(158.6)	(21.4)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from issuance of debt	400.0	—
Proceeds from revolver borrowings	347.9	273.3
Repayments of revolver borrowings	(347.9)	(277.2)
Payments for acquisition-related liabilities	(10.0)	(33.4)
Payments for finance leases, promissory notes and other	(17.7)	(24.2)
Debt issuance costs	(7.5)	—
Shares redeemed for employee income tax obligations	(1.2)	(2.2)
Proceeds from finance leases and other	14.5	0.2
Net cash provided by (used in) financing activities	378.1	(63.5)
EFFECT OF EXCHANGE RATES ON CASH AND CASH EQUIVALENTS	—	(0.2)
NET INCREASE IN CASH AND CASH EQUIVALENTS	364.9	7.0
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	40.6	20.0
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 405.5	\$ 27.0

**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, excluding the impact of income taxes, 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, acquisition-related costs, officer transition expenses, purchase accounting adjustments for inventory, pension withdrawal liability, and realignment initiative costs. 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 (in millions).

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2020	2019	2020	2019
<b>Total Adjusted EBITDA Reconciliation</b>				
Net income	\$ 24.1	\$ 13.6	\$ 27.8	\$ 11.9
Add/(subtract): Income tax expense (benefit)	(3.4)	8.3	(4.0)	8.3
Income before income taxes	20.7	21.9	23.8	20.2
Add: Depreciation, depletion and amortization	25.8	22.3	74.4	70.2
Add: Interest expense, net	12.0	11.6	34.8	34.8
Add: Non-cash stock compensation expense	2.6	5.3	8.8	16.4
Add: Pension withdrawal liability	1.5	—	1.5	—
Add/(subtract): Non-cash change in value of contingent consideration	0.1	0.3	(5.4)	1.6
Add: Purchase accounting adjustments for inventory	0.4	—	4.6	—
Add: Acquisition-related costs	0.3	0.2	1.6	1.0
Add: Realignment initiative costs	0.5	—	1.4	—
Add: Officer transition expenses	—	0.5	0.2	1.1
Add: Loss on mixer truck fire	—	—	—	0.7
Subtract: Eminent domain matter	—	—	—	(5.3)

Subtract: Hurricane-related loss recoveries, net	—	—	—	(2.1)
Total Adjusted EBITDA	<u>\$ 63.9</u>	<u>\$ 62.1</u>	<u>\$ 145.7</u>	<u>\$ 138.6</u>
Net income margin	6.4 %	3.3 %	2.7 %	1.1 %
Total Adjusted EBITDA Margin	17.1 %	15.2 %	14.1 %	12.5 %

### 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, 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 September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
<b>Adjusted Gross Profit Reconciliation</b>				
Operating income	\$ 32.3	\$ 33.3	\$ 57.0	\$ 47.2
Add: Depreciation, depletion and amortization	25.8	22.3	74.4	70.2
Add: Selling, general and administrative expenses	32.1	32.0	97.5	103.3
Add/(subtract): Change in value of contingent consideration	0.1	0.3	(5.4)	1.6
Add: Purchase accounting adjustments for inventory	0.4	—	4.6	—
Add/(subtract): Loss (gain) on sale/disposal of assets, net	—	(0.2)	(0.1)	0.8
Adjusted Gross Profit	<u>\$ 90.7</u>	<u>\$ 87.7</u>	<u>\$ 228.0</u>	<u>\$ 223.1</u>
Operating income margin	8.6 %	8.1 %	5.5 %	4.3 %
Adjusted Gross Profit Margin	24.2 %	21.4 %	22.1 %	20.1 %

### 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, acquisition-related costs, officer transition costs, pension withdrawal liability, and realignment initiative cost. 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 September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
<b>Adjusted SG&amp;A Reconciliation</b>				
Selling, general and administrative expenses	\$ 32.1	\$ 32.0	\$ 97.5	\$ 103.3
Subtract: Non-cash stock compensation expense	(2.6)	(5.3)	(8.8)	(16.4)
Subtract: Acquisition-related costs	(0.3)	(0.2)	(1.6)	(1.0)
Subtract: Pension withdrawal liability	(1.5)	—	(1.5)	—
Subtract: Realignment initiative costs	(0.5)	—	(1.4)	—
Subtract: Officer transition expenses	—	(0.5)	(0.2)	(1.1)
Adjusted SG&A	<u>\$ 27.2</u>	<u>\$ 26.0</u>	<u>\$ 84.0</u>	<u>\$ 84.8</u>
SG&A as a percentage of revenue	8.6 %	7.8 %	9.5 %	9.3 %
Adjusted SG&A as a percentage of revenue	7.3 %	6.3 %	8.1 %	7.6 %

### 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 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, acquisition-related costs, officer transition expenses, purchase accounting adjustments for inventory, and realignment initiative costs. 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 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 attributable to U.S. Concrete per diluted share (in millions except per share amounts).

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2020	2019	2020	2019
<b>Adjusted Net Income Attributable to U.S. Concrete Reconciliation</b>				
Net income attributable to U.S. Concrete	\$ 23.5	\$ 13.0	\$ 27.0	\$ 11.0
Add/(subtract): Income tax expense (benefit)	(3.4)	8.3	(4.0)	8.3
Adjusted income before income taxes	20.1	21.3	23.0	19.3
Add: Non-cash stock compensation expense	2.6	5.3	8.8	16.4
Add/(subtract): Non-cash change in value of contingent consideration	0.1	0.3	(5.4)	1.6
Add: Purchase accounting adjustments for inventory	0.4	—	4.6	—
Add: Acquisition-related costs	0.3	0.2	1.6	1.0
Add: Pension withdrawal liability	1.5	—	1.5	—
Add: Realignment initiative costs	0.5	—	1.4	—
Add: Officer transition expenses	—	0.5	0.2	1.1
Add: Loss on mixer truck fire	—	—	—	0.7
Subtract: Eminent domain matter	—	—	—	(5.3)
Subtract: Hurricane-related loss recoveries, net	—	—	—	(2.1)
Adjusted income before income taxes	25.5	27.6	35.7	32.7
Subtract: Normalized income tax expense <sup>(1)</sup>	6.9	7.4	9.6	8.8
Adjusted Net Income Attributable to U.S. Concrete	\$ 18.6	\$ 20.2	\$ 26.1	\$ 23.9

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

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2020	2019	2020	2019
<b>Adjusted Net Income Attributable to U.S. Concrete per Diluted Share Reconciliation</b>				
Net income attributable to U.S. Concrete	\$ 1.42	\$ 0.79	\$ 1.63	\$ 0.67
Add: Income tax expense (benefit)	(0.20)	0.50	(0.24)	0.51
Adjusted income before income taxes	1.22	1.29	1.39	1.18
Add: Impact of non-cash stock compensation expense	0.16	0.32	0.53	1.00
Add/(subtract): Impact of non-cash change in value of contingent consideration	0.01	0.03	(0.33)	0.10
Add: Impact of purchase accounting adjustments for inventory	0.02	—	0.28	—
Add: Impact of acquisition-related costs	0.01	—	0.10	0.06
Add: Impact of pension withdrawal liability	0.09	—	0.09	—
Add: Impact of realignment initiative costs	0.03	—	0.08	—
Add: Impact of officer transition expenses	—	0.04	0.01	0.07
Add: Impact of loss on mixer truck fire	—	—	—	0.04
Subtract: Impact of eminent domain matter	—	—	—	(0.32)
Subtract: Impact of hurricane-related loss recoveries, net	—	—	—	(0.13)
Adjusted income before income taxes	1.54	1.68	2.15	2.00
Subtract: Normalized income tax expense <sup>(1)</sup>	0.42	0.46	0.58	0.54
Adjusted Net Income Attributable to U.S. Concrete per Diluted Share	\$ 1.12	\$ 1.22	\$ 1.57	\$ 1.46

(1) Assumes 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 sale of property, plant and equipment, eminent domain matter and 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		Nine Months Ended	
	September 30,		September 30,	
	2020	2019	2020	2019
<b>Adjusted Free Cash Flow Reconciliation</b>				
Net cash provided by operating activities	\$ 61.3	\$ 51.5	\$ 145.4	\$ 92.1
Subtract: Purchases of property, plant and equipment	(3.3)	(10.5)	(17.5)	(28.6)
Add: Proceeds from sale of property, plant and equipment	0.4	0.5	0.7	1.2

Add: Proceeds from eminent domain matter and property insurance claims	—	—	—	6.0
Adjusted Free Cash Flow	<u>\$ 58.4</u>	<u>\$ 41.5</u>	<u>\$ 128.6</u>	<u>\$ 70.7</u>

#### 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</u> <u>September 30, 2020</u>	<u>As of</u> <u>December 31, 2019</u>
<b>Net Debt Reconciliation</b>		
Total debt, including current maturities and finance lease obligations	\$ 1,102.8	\$ 687.3
Subtract: cash and cash equivalents	<u>405.5</u>	<u>40.6</u>
Net Debt	<u>\$ 697.3</u>	<u>\$ 646.7</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, excluding the impact of income taxes, 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, acquisition-related costs, officer transition expenses, purchase accounting adjustments for inventory, pension withdrawal liability, and realignment initiative costs. 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</u> <u>Ended</u> <u>September 30, 2020</u>
<b>Total LTM Adjusted EBITDA Reconciliation</b>	
Net income	\$ 32.3
Add: Income tax expense	<u>—</u>
Income before income taxes	32.3
Add: Depreciation, depletion and amortization	97.4
Add: Interest expense, net	46.1
Add: Non-cash stock compensation expense	11.4
Add/(subtract): Non-cash change in value of contingent consideration	(4.2)
Add: Purchase accounting adjustments for inventory	4.6
Add: Pension withdrawal liability	1.5
Add: Realignment initiative costs	1.4
Add: Acquisition-related costs, net	0.7
Add: Litigation settlement cost	0.3
Add: Officer transition expenses	<u>(0.3)</u>
Total LTM Adjusted EBITDA	191.2
Net Debt	<u>\$ 697.3</u>
Total debt to LTM net income	34.14x
Net Debt to Total LTM Adjusted EBITDA as of September 30, 2020	3.65x

Source: USCR-E

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# US CONCRETE

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