US CONCRETE INC
Form 10-Q
August 09, 2006

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended June 30, 2006

Commission file number 000-26025

U.S. CONCRETE, INC.

A Delaware corporation

IRS Employer Identification No. 76-0586680
2925 Briarpark, Suite 1050
Houston, Texas 77042
(713) 499-6200

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes	No
x	o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Large accelerated filer o Accelerated filer x Non-accelerated filer o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes	No
o	x

As of the close of business on August 4, 2006, U.S. Concrete, Inc. had 38,698,954 shares of its common stock, $0.001 par value, outstanding (excluding treasury shares of 196,214).

U.S. CONCRETE, INC.

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

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

	June 30, 2006	December 31, 2005
ASSETS		
Current assets:		
Cash and cash equivalents	$ 72,860	$ 23,654
Trade accounts receivable, net	108,621	87,654
Inventories, net	27,965	23,677
Prepaid expenses	4,010	2,401
Other current assets	12,889	13,154
Total current assets	226,345	150,540
Property, plant and equipment, net	179,017	149,637
Goodwill	188,842	181,821
Other assets, net	11,591	12,045
Total assets	$ 605,795	$ 494,043
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Current maturities of long-term debt	$ 1,059	$ 1,126
Accounts payable	54,006	49,144
Accrued liabilities	42,406	37,469
Total current liabilities	97,471	87,739
Long-term debt, net of current maturities	200,885	200,445
Other long-term liabilities and deferred credits	5,014	4,997
Deferred income taxes	22,209	15,941
Total liabilities	325,579	309,122
Commitments and contingencies (Note 11)		
Stockholders equity:		
Preferred stock		
Common stock	39	30
Additional paid-in capital	260,655	172,857
Retained earnings	21,133	16,918
Treasury stock, at cost	(1,611)	(945)
Deferred compensation		(3,939)
Total stockholders equity	280,216	184,921
Total liabilities and stockholders equity	$ 605,795	$ 494,043

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2006	**2005**	**2006**	**2005**
Sales	$ 188,763	$ 153,214	$ 328,357	$ 245,713
Cost of goods sold before depreciation, depletion and amortization	154,287	122,617	275,083	206,568
Selling, general and administrative expenses	14,705	12,958	30,139	25,453
Depreciation, depletion and amortization	4,495	3,252	8,671	6,329
Income from operations	15,276	14,387	14,464	7,363
Interest income	855	155	1,551	345
Interest expense	4,661	4,441	9,293	8,948
Other income, net	374	305	761	475
Income (loss) before income taxes	11,844	10,406	7,483	(765)
Income tax provision (benefit)	4,641	4,371	2,981	(321)
Net income (loss)	$ 7,203	$ 6,035	$ 4,502	$ (444)
Basic net income (loss) per share	$ 0.19	$ 0.21	$ 0.13	$ (0.02)
Diluted net income (loss) per share	$ 0.19	$ 0.21	$ 0.12	$ (0.02)
Basic common shares outstanding	37,685	28,575	35,820	28,537
Diluted common shares outstanding	38,891	29,055	37,019	28,537

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

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

	Common Stock						
	Shares	Par Value	Additional Paid-In Capital	Deferred Compensation	Retained Earnings	Treasury Stock	Total Stockholders Equity
BALANCE, December 31, 2005	29,809	$ 30	$ 172,857	$ (3,939)	$ 16,918	$ (945)	$ 184,921
Change in accounting principle for stripping costs, net of tax					(287)		(287)
Change in accounting principle for stock-based compensation.....			(3,939)	3,939			
Common stock issuance	8,050	8	84,804				84,812
Employees purchase of ESPP shares	54		506				506
Stock options exercised	572	1	5,077				5,078
Stock-based compensation	262		1,350				1,350
Purchase of treasury shares	(56)					(666)	(666)
Cancellation of shares	(24)						
Net income					4,502		4,502
BALANCE, June 30, 2006	38,667	$ 39	$ 260,655		$ 21,133	$ (1,611)	$ 280,216

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

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

	Six Months Ended June 30, 2006	Six Months Ended June 30, 2005
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	$ 4,502	$ (444)
Adjustments to reconcile net income (loss) to net cash provided by operations:		
Depreciation, depletion and amortization	8,671	6,329
Debt issuance cost amortization	651	651
Net gain on sale of property, plant and equipment	(462)	(263)
Deferred income taxes	3,432	(719)
Provision for doubtful accounts	331	698
Stock-based compensation	1,350	736
Excess tax benefits from stock-based compensation	(1,205)	
Changes in operating assets and liabilities, net of acquisitions:		
Trade accounts receivable, net	(18,492)	(20,934)
Inventories	(2,646)	(881)
Prepaid expenses and other current assets	(910)	(166)
Other assets	(116)	(85)
Accounts payable and accrued liabilities	6,962	15,535
Net cash provided by operations	2,068	457
CASH FLOWS FROM INVESTING ACTIVITIES:		
Property, plant and equipment, net of disposals of $1,978 and $617	(18,027)	(7,583)
Payments for acquisitions, net of cash received of $3 and $0	(23,289)	(1,000)
Other investing activities	425	(40)
Net cash used in investing activities	(40,891)	(8,623)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayments of capital leases	(1,035)	
Proceeds from issuance of common stock	84,812	
Proceeds from issuance of common stock under compensation plans	4,379	470
Excess tax benefits from stock-based compensation	1,205	
Purchase of treasury shares	(666)	(236)
Other financing activities	(666)	
Net cash provided by financing activities	88,029	234
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	49,206	(7,932)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	23,654	39,707
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 72,860	$ 31,775

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

U.S. CONCRETE, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

The accompanying Condensed Consolidated Financial Statements include the accounts of U.S. Concrete, Inc. and its subsidiaries and have been prepared by us, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (the SEC). Some information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to the SEC s rules and regulations, although our management believes that the disclosures made are adequate to make the information presented not misleading. These unaudited Condensed Consolidated Financial Statements should be read in conjunction with the consolidated financial statements and related notes in our annual report on Form 10-K for the year ended December 31, 2005 (the 2005 Form 10-K). In the opinion of our management, all adjustments necessary to state fairly the information in our unaudited Condensed Consolidated Financial Statements have been included. Operating results for the three- and six-month periods ended June 30, 2006 are not necessarily indicative of the results expected for the year ending December 31, 2006.

The preparation of financial statements and accompanying notes in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported. Actual results could differ from those estimates.

Certain amounts in the unaudited Condensed Consolidated Financial Statements have been reclassified in the prior year to conform to the current year presentation.

2. SIGNIFICANT ACCOUNTING POLICIES

For a description of U.S Concrete s accounting policies, refer to Note 1 to the Consolidated Financial Statements in the 2005 Form 10-K, as well as Notes 4 and 13 herein.

3. BUSINESS COMBINATIONS

In June 2006, we acquired the operating assets, including real property, of Olson Precast Company used in the production of precast concrete products in northern California, for $4.75 million in cash.

In April 2006, we acquired Kurtz Gravel Company and the Phoenix operating assets of Pre-Cast Mfg., Inc. Kurtz produces ready-mixed concrete from six plants and mines aggregates from a quarry, all located in or near U.S. Concrete s existing operations in the metropolitan Detroit area. We purchased Kurtz for approximately $13.0 million in cash and assumed certain capital lease liabilities with a net present value of approximately $1.5 million. We purchased the Pre-Cast Mfg. assets for approximately $5.0 million using cash on hand.

In December 2005, we acquired substantially all the operating assets of Go-Crete and South Loop Development Corporation, which produce and deliver ready-mixed concrete from six plants and mine sand and gravel from a quarry in the greater Dallas/Fort Worth, Texas market for approximately $27.5 million, comprised of cash of $26.0, deferred purchase price of $1.3 million and transaction costs of $0.2 million. The purchase price has been allocated to the fair value of the properties and equipment of $21.2 million, identifiable intangibles of $0.6 million, net current assets of $0.2 million (net of current liabilities of $7.4 million), capital lease obligations of $2.1 million and goodwill of $7.6 million.

In November 2005, we acquired substantially all the operating assets, including real property, of City Concrete Company, City Concrete Products, Inc. and City Transports, Inc., which produce and deliver ready-mixed concrete from five plants in the greater Memphis, Tennessee and northern Mississippi area, for approximately $14.3 million in cash and transaction costs of $0.1 million. The purchase price has been allocated to the fair value of the properties and equipment of $5.5 million, identifiable intangibles of $1.7 million, current assets of $0.3 million, and goodwill of $6.8 million.

In January 2005, we acquired substantially all the ready-mixed concrete assets of Ed Adams d/b/a Adams Redi-Mix Company located in the Knoxville, Tennessee area. The purchase price was approximately $1.0 million in cash. The purchase price has been allocated to the fair value of the properties and equipment of $0.3 million and goodwill of $0.7 million.

U.S. CONCRETE, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4. STOCK-BASED COMPENSATION

Effective January 1, 2006, we adopted Statement of Financial Accounting Standards (SFAS) No. 123-R, Share-Based Payment (SFAS 123R), using the modified prospective method and, accordingly, have not restated prior period results. SFAS 123R establishes the accounting for equity instruments exchanged for employee services. Under SFAS 123R, share-based compensation cost is measured at the grant date based on the calculated fair value of the award. The expense is recognized over the employee s requisite service period, generally the vesting period of the award. SFAS 123R also requires the related excess tax benefit received upon exercise of stock options or vesting of restricted stock, if any, to be reflected in the statement of cash flows as a financing activity rather than an operating activity.

In November 2005, the FASB issued FASB Staff Position (FSP) No. FAS 123(R)-3, Transition Election Related to Accounting for the Tax Effects of Share-Based Payment Awards. This FSP provides an elective alternative simplified method for calculating the pool of excess tax benefits available to absorb tax deficiencies recognized subsequent to the adoption of SFAS No. 123R and reported in the Condensed Consolidated Statements of Cash Flows. Companies may take up to one year from the effective date of the FSP to evaluate the available transition alternatives and make a one-time election as to which method to adopt. We are currently in the process of evaluating the alternative methods.

Prior to the adoption of SFAS 123R, we accounted for stock options issued to employees in accordance with Accounting Principles Board Opinion (APB) No. 25, Accounting for Stock Issued to Employees, and related interpretations. We also provided the disclosures required under SFAS No. 123, Accounting for Stock-Based Compensation, (SFAS 123), as amended by SFAS No. 148, Accounting for Stock-Based Compensation Transition and Disclosures. As a result, no expense was reflected in our consolidated statement of operations for the three months and six months ended June 30, 2005 for stock options, as all options granted had an exercise price equal to the market value of the underlying common stock on the date of grant. However, we recognized stock-based compensation expense for restricted stock awards.

SFAS 123R requires tax benefits attributable to stock-based compensation transactions to be classified as financing cash flows. Prior to the adoption of SFAS 123R, we presented excess tax benefits from stock-based compensation transactions as an operating cash flow in our Condensed Consolidated Statements of Cash Flows.

U.S. CONCRETE, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following table illustrates the pro forma effect on net loss and loss per share as if we were applying the fair value recognition provisions of SFAS 123R to our stock-based compensation plans for the period shown (in thousands, except per share amounts). The fair value has been determined using a Black-Scholes option-pricing model.

	Three Months Ended June 30, 2005		Six Months Ended June 30, 2005	
Net income (loss) as reported	$	6,035	$	(444)
Add: Total stock-based employee compensation expense included in reported net income (loss), net of related tax effects		215		427
Deduct: Total stock-based employee compensation expense calculated using the fair value method, net of related tax effects		(333)		(685)
Pro forma net income (loss)	$	5,917	$	(702)
Basic income (loss) per share:				
Reported	$	0.21	$	(0.02)
Pro forma	$	0.21	$	(0.02)
Diluted income (loss) per share:				
Reported	$	0.21	$	(0.02)
Pro forma	$	0.20		