

Mossberg's Investor Digest

Best Idea Profile:

U.S. Concrete, Inc. (NASDAQ: USCR)

DESCRIPTION:

Headquartered in Euless, Texas, U.S. Concrete provides ready-mix concrete products to the construction industry. It operates in six major markets: San Francisco Bay, Dallas/Fort Worth, West Texas, Washington D.C., northern New Jersey and metropolitan New York. During 2011 its plant facilities produced approximately 4 million cubic yards of ready-mixed concrete from continuing operations and 3 million tons of aggregates. The company's customers include general contractors, concrete sub-contractors, design engineers, architects, governmental agencies, property owners and developers, and home builders. The company was founded in 1948.

KEY INVESTMENT CONSIDERATIONS:

Residential Housing Demand Rebound – The residential housing market has been depressed for close to four years, yet the population continues to grow. In fact, during the last 52 years, a period during which the U.S. population has nearly doubled, four of the lowest years for new housing starts were 2008, 2009, 2010, and 2011. U.S. residential construction is significantly underbuilt. At some time, supply must equalize with the demand of an increasing population.

More efficient operations with greater pricing power – Companies that survived the sustained downturn of the housing market are in strong position to capitalize upon a recovery with stronger pricing power. At the same time, USCR streamlined its business and improved its operating structure so that any improvement in the market will translate nicely to the bottom line. Also, the headquarters move from Houston to Euless, Texas, was successfully completed in the past quarter. Therefore, those costs are complete and improved efficiencies should become more apparent going forward.

Positive Trends in Reported Results – Second-quarter revenue increased 16.2% over the comparable quarter in 2011. This is the seventh consecutive quarter of year-over-year growth in revenue. Volumes remain strong and USCR has successfully increased average selling prices per cubic yard in all of its major markets.

Divestiture Improves Balance Sheet and Opportunities – The company recently completed the sale of its pre-cast concreted operations, a non-core asset that will yield more than \$20 million in cash. The proceeds will help to shore up the balance sheet and provide additional flexibility for the company to pursue strategic acquisitions, organic growth opportunities and debt repayment.

New CEO is motivated to increase shareholder value – As the company emerged from chapter 11 about a year ago, the company hired a new CEO, who brings significant experience in leadership positions from much larger building materials company. When he was hired, he was awarded 750,000 restricted shares that vest over the following three to four years. Forty percent of these shares only vest if certain stock price targets of \$16 to \$20 are reached over that time frame. Clearly he is incentivized to increase shareholder value.

VALUATION:

In April 2010 USCR filed for chapter 11 (it emerged from bankruptcy in August 2011). As reported in the filing, a midpoint valuation of \$194 million was assessed at that time. Versus the current enterprise value of approx. \$150 million, there appears to be downside protection at current share price.

U.S. Concrete, Inc. (NASDAQ:USCR) Investment Data (as of 8/26/12)

Recent Price	\$6.13
52-Week Range	\$1.90 - \$6.67
Fiscal Year End	Dec
Dividend	NA
Yield	NA
Shares Outstanding	13.4 M
Average Trading Volume (3 mos)	7 K
Market Capitalization	\$82 M
Cash	\$7 M
Long-term Debt	\$73 M
Enterprise Value (EV)	\$148 M
Book Value	\$8.03
TTM Revenue	\$552 M
P/ Revenue	0.3x
TTM EPS	\$(0.01)
P/ EPS	NA
TTM EBITDA	\$15.7 M
EV/ EBITDA	9.4x

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