Recent Trends in The Concrete Industry

Our Thoughts, A Look Back At The Great Recession, and What The Future Holds

Presented by Pierre G. Villere
The Alabama + Mississippi Summer Convention
May 31 - June, 2012
Let’s Start With The Outlook

- *USA Today* reported in a lead story just last week, “the automobile industry has been a consistent bright spot in the American economy over the last several months, as automakers have added jobs to meet growing demand”

- And news from the industry is only getting better, as new estimates expect automakers to sell 14.3 million cars in the United States in 2012 — 1.5 million more than they sold last year
Let’s Start With The Outlook

- Factories at both foreign and domestic automakers are now working at maximum capacity, and the industry is adding shifts and jobs to keep up with that rising demand.

- Some plants are adding third work shifts, and others are piling on worker overtime and six-day weeks.
Let’s Start With The Outlook

• Ford Motor and Chrysler Group are cutting out or reducing the annual two-week July shutdown at several plants this summer to add thousands of vehicles to their output.

• “We have many plants working at maximum capacity now,” says Ford spokeswoman Marcey Evans. “We’re building as many (cars) as we can.”
Let’s Start With The Outlook

- Chrysler and General Motors, the major beneficiaries of the auto rescue, have both reported their *best profits* in more than a decade

- With factories now struggling to meet demand, both foreign and domestic auto companies are planning to add even more jobs, in addition to the 139,000 jobs in the last three years
Let’s Start With The Outlook

• So why does this matter?
• Because...

.... the construction materials industry is next...
Why So Long?

- In January, we began our *sixth* year of the downturn in the construction materials industry, despite a recession that was supposed to be over a long time ago.
- Officially at least, the recession began in December 2007 and ended in June 2009, but our industry is still deeply mired in it.
- PIP (put-in-place) construction numbers, we are down fully one-third since the 2006 peak of over $1.2 trillion.
Why So Long?

• We are experiencing a current run rate of around $800 billion
• But the numbers in the ready mixed concrete industry look worse, with peak-to-trough declines of 45% (458 million cubic yards in 2005 compared to around 258 million cubic yards in 2008, 09, and 10)
• For those that have been in the industry for a few decades, this is the longest and most difficult recession we have experienced
Why So Long?

• From a construction viewpoint, it is the worst since the Great Depression of the 1930s
• We now have is a long-term structural problem in our economy known as a balance sheet adjustment
• Other countries have experienced this, including the US during the Depression, or Japan over the last twenty years
Why So Long?

• Many other global economies have experienced this, which is the accumulation of debt over ten to thirty years that resulted in a massive asset boom, followed by an associated financial crisis when the bubble burst.

• The response is then to nationalize private debt, and what follows is a decade-long period of low growth and high unemployment.
Why So Long?

- To this we add the occasional sovereign debt crises as a result of the increased debt that was accumulated during the crisis in order to smooth out the problem.
Why So Long?

- Remember, there are four key structural problems that converged to create this balance sheet recession:

  - Debt in the public sector, which is growing and therefore exacerbating the problem
  - Debt in the household sector
  - The housing bubble hangover
  - Very high unemployment
Those key drivers resulted in muted consumer spending, which is 70% of our economy.
The bubble economy: 1980-2008

Economic growth fueled by consumer demand

Student loan bubble
Credit card bubble
Housing bubble
Financial sector bubble

Median salaries haven’t grown
The illusion of growth is revealed

Economic growth stops with little consumer demand

- Student loan debt
- Credit card debt
- Housing debt
- Growing public sector deficits
- Financial sector debt
- Structural unemployment
- Falling median salaries
Why So Long?

- So how do we solve it, and get our industry healthy again?
- We have to tackle each of those four problems, as each has a remedy that has to be put into place...
- ... and Washington needs to get their own fiscal house in order, along the lines of the Simpson-Bowles plan that spells out at least $4 trillion in debt reductions, which will bring the primary debt in balance while reducing our overall national debt over time.
Why So Long?

• So what does this mean for our industry?
• A long, five-year contraction that appears to have finally turned around...

... and despite the slowing economic indicators of the past few weeks, the outlook is bullish

• Let’s take a look some highlights od the 2011 NRMCA Industry Data Survey results
Highlights

- We projected in mid-2009 that 2010 would be the worst year in memory in terms of industry volumes and financial performance

We were right...

- Top line selling price fell by $5.63 per cubic yard compared to 2009, from $96.05 to $90.42
Highlights

- Even worse is the further broadening of operating losses for the industry, from ($3.07) in 2009 to...

  $(7.27) \text{ per cubic yard}

- The industry has never experienced this level of unprofitability
The recessions in 1974-75, 80-81, 91-93, and 2001-02 all had an impact on the industry, but nothing on the scale of 2007-2009.

2010 was expected to be worse...and it was...
Highlights

• Volumes were dead flat, with no growth...
• .... but selling prices came down, and...
• .....operating losses expanded an additional $4.20 per cubic yard
The contraction in ready mixed concrete production has been accelerating:

- 2005 – 458.3 million cubic yards
- 2006 - 456.8 million cubic yards
- 2007 - 414.6 million cubic yards
- 2008 - 351.7 million cubic yards
- 2009 – 258.6 million cubic yards
- 2010 – 257.7 million cubic yards

But turned the corner in 2011

- 2011 – 265.7 million cubic yards
This contraction of 201,000,000 cubic yards (peak-to-trough) translates into an estimated 37,400 parked mixer trucks, or 48% of the estimated US mixer fleet at its peak in 2005.

Accurate employment data is difficult to discern, but the drop in volume for ready mixed producers, and on attendant cement and aggregates employment, easily exceeded the six figure mark at the bottom of the market.
Highlights

• The single biggest concern for the industry is the WIDENING disadvantage of the Lowest Quartile, which has dramatically accelerated in this recession

• Over the last 3 years, this segment representing the bottom 25% of the market has accumulated $27.75 per yard in operating losses, and $9.18 per yard in EBITDA losses
Highlights

• This loss is completely attributable to their top line selling price disadvantage...

.... $13.91 compared to the Upper Quartile

• How has this segment survived a five year downturn???
Impact of Average Selling Price on Profitability and EBITDA on the Lowest and Upper Quartiles

<table>
<thead>
<tr>
<th>ASP</th>
<th>Profit Before Taxes</th>
<th>EBITDA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lower Quartile</td>
<td></td>
<td></td>
</tr>
<tr>
<td>$85.05</td>
<td>-$13.01</td>
<td>-$6.46</td>
</tr>
<tr>
<td>Upper Quartile</td>
<td></td>
<td></td>
</tr>
<tr>
<td>$98.96</td>
<td>$4.04</td>
<td>$9.06</td>
</tr>
</tbody>
</table>
## Company Demographics

### Company Size Analysis

<table>
<thead>
<tr>
<th></th>
<th>Lowest Quartile</th>
<th>Upper Quartile</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>COMPANY DEMOGRAPHICS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2 Number of ready mixed concrete plants</td>
<td>13</td>
<td>13</td>
</tr>
<tr>
<td>3 Cubic yards of ready mixed concrete sold</td>
<td>498,809</td>
<td>440,088</td>
</tr>
<tr>
<td>4 Cubic yards per plant sold</td>
<td>38,245</td>
<td>34,999</td>
</tr>
<tr>
<td>5 Number of ready mixed concrete truck mixers</td>
<td>119</td>
<td>110</td>
</tr>
<tr>
<td>6 Cubic yards per truck mixer</td>
<td>4,189</td>
<td>3,993</td>
</tr>
<tr>
<td>7 Average age of truck mixer fleet (months)</td>
<td>94</td>
<td>99</td>
</tr>
<tr>
<td>8 Number of aggregate hauling trucks</td>
<td>10</td>
<td>13</td>
</tr>
<tr>
<td>9 Number of cement hauling trucks</td>
<td>5</td>
<td>8</td>
</tr>
<tr>
<td>10 Distance per roundtrip (miles)</td>
<td>25</td>
<td>25</td>
</tr>
<tr>
<td>11 Time per roundtrip (minutes)</td>
<td>120</td>
<td>115</td>
</tr>
<tr>
<td>12 Total roundtrips</td>
<td>547</td>
<td>596</td>
</tr>
<tr>
<td>13 Total number of concrete truck drivers’ hours</td>
<td>189,805</td>
<td>152,933</td>
</tr>
<tr>
<td>14 Delivered cubic yards per hour</td>
<td>2.6</td>
<td>2.9</td>
</tr>
<tr>
<td>15 Variable delivery cost per minute</td>
<td>$0.78</td>
<td>$0.83</td>
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<tr>
<td>16 Fixed delivery cost per minute</td>
<td>0.31</td>
<td>0.27</td>
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<tr>
<td>17 Total delivery cost per minute</td>
<td>$1.09</td>
<td>$1.11</td>
</tr>
</tbody>
</table>
Ready Mixed Concrete Production

Annual Production (Cubic Yards)
The contraction in ready mixed concrete production had not turned around by 2011:

So How Have Alabama & Mississippi Fared?

- The contraction in ready mixed concrete production had not turned around by 2011:

<table>
<thead>
<tr>
<th>Year</th>
<th>Alabama</th>
<th>Mississippi</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>6,385,000</td>
<td>3,919,000</td>
</tr>
<tr>
<td>2006</td>
<td>6,607,000</td>
<td>4,320,000</td>
</tr>
<tr>
<td>2007</td>
<td>6,509,000</td>
<td>4,359,000</td>
</tr>
<tr>
<td>2008</td>
<td>5,727,000</td>
<td>3,906,000</td>
</tr>
<tr>
<td>2009</td>
<td>4,189,000</td>
<td>2,958,000</td>
</tr>
<tr>
<td>2010</td>
<td>3,706,000</td>
<td>2,844,000</td>
</tr>
<tr>
<td>2011</td>
<td>3,673,000</td>
<td>2,786,000</td>
</tr>
</tbody>
</table>
Historical Alabama & Mississippi Volumes & Share of US Market

![Graph showing historical volumes and share of US market for Alabama and Mississippi](image)

- **Alabama**
- **Mississippi**
- **U.S.**

**State**

- Cubic Yards

**Chart**

- **Years**: 1996 to 2011
- **Volumes**: 0 to 7,000,000
- **Share of US Market**: 0 to 500,000,000

Legend:
- Red: Alabama
- Green: Mississippi
- Blue: U.S.
Typical Producer – Annual Cubic Yards
Typical Producer – Cubic Yards Per Plant

![Typical Producer Chart]
Typical Producer – Number of Ready Mixed Concrete Trucks
2010 – Average Number of Ready Mixed Concrete Trucks

- Southeastern Region
- Typ NRMCA Member
- Lowest Quartile
- Upper Quartile
Typical Producer – Cubic Yards Per Truck
SE Region – Cubic Yards Per Truck

Southeastern Region  Typ NRMCA Member  Lowest Quartile  Upper Quartile

0  1,000  2,000  3,000  4,000  5,000

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Average Sales Price Per Cubic Yard

<table>
<thead>
<tr>
<th>Year</th>
<th>ASP</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>$68.04</td>
</tr>
<tr>
<td>2004</td>
<td>$69.44</td>
</tr>
<tr>
<td>2005</td>
<td>$80.98</td>
</tr>
<tr>
<td>2006</td>
<td>$90.31</td>
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<tr>
<td>2007</td>
<td>$91.88</td>
</tr>
<tr>
<td>2008</td>
<td>$94.15</td>
</tr>
<tr>
<td>2009</td>
<td>$96.05</td>
</tr>
<tr>
<td>2010</td>
<td>$90.42</td>
</tr>
</tbody>
</table>
SE Region: Average Sales Price Per Cubic Yard

<table>
<thead>
<tr>
<th>Region</th>
<th>Typ NRMCA Member</th>
<th>Lowest Quartile</th>
<th>Upper Quartile</th>
</tr>
</thead>
<tbody>
<tr>
<td>Southeastern Region</td>
<td>$86.69</td>
<td>$85.05</td>
<td>$98.96</td>
</tr>
<tr>
<td>Typ NRMCA Member</td>
<td>$90.42</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lowest Quartile</td>
<td></td>
<td>$85.05</td>
<td>$98.96</td>
</tr>
<tr>
<td>Upper Quartile</td>
<td></td>
<td></td>
<td>$98.96</td>
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</tbody>
</table>

ASP: $86.69
SE Region: Pre Tax Profit – Dollars Per Cubic Yard

<table>
<thead>
<tr>
<th></th>
<th>Southeastern Region</th>
<th>Typ NRMCA Member</th>
<th>Lowest Quartile</th>
<th>Upper Quartile</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pre-Tax Profit</td>
<td>($14.93)</td>
<td>($7.27)</td>
<td>($13.01)</td>
<td>$4.04</td>
</tr>
</tbody>
</table>
Price Per Cubic Yard vs Pre-Tax Profit

![Graph showing the relationship between Average Price per Cubic Yard and Average Pretax Profit from 1996 to 2010. The graph indicates fluctuations in profit and price over the years.]

- **Average Pretax Profit**:
  - 1996: $2.89
  - 1997: $3.51
  - 1998: $4.76
  - 1999: $5.27
  - 2000: $4.26
  - 2001: $3.23
  - 2002: $1.58
  - 2003: $2.30
  - 2004: $2.98
  - 2005: $6.14
  - 2006: $7.63
  - 2007: $6.06
  - 2008: $0.20
  - 2009: $-3.07
  - 2010: $-7.27

- **Average Price per Cubic Yard**:
  - 1996: $59.88
  - 1997: $60.80
  - 1998: $63.63
  - 1999: $65.26
  - 2000: $66.48
  - 2001: $66.24
  - 2002: $67.21
  - 2003: $68.04
  - 2004: $69.44
  - 2005: $80.98
  - 2006: $90.31
  - 2007: $91.88
  - 2008: $94.15
  - 2009: $96.05
  - 2010: $90.42
Pre-Tax Profit - Percentage Of Sales

<table>
<thead>
<tr>
<th>Year</th>
<th>Pre-Tax Profit %</th>
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<tbody>
<tr>
<td>1985</td>
<td>3.2%</td>
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<tr>
<td>1990</td>
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<tr>
<td>1995</td>
<td>4.2%</td>
</tr>
<tr>
<td>2000</td>
<td>6.4%</td>
</tr>
<tr>
<td>2003</td>
<td>3.4%</td>
</tr>
<tr>
<td>2004</td>
<td>4.5%</td>
</tr>
<tr>
<td>2005</td>
<td>7.5%</td>
</tr>
<tr>
<td>2006</td>
<td>8.7%</td>
</tr>
<tr>
<td>2007</td>
<td>6.7%</td>
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<tr>
<td>2008</td>
<td>0.2%</td>
</tr>
<tr>
<td>2009</td>
<td>-3.1%</td>
</tr>
<tr>
<td>2010</td>
<td>-8.1%</td>
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</table>
SE Region: Pre Tax Profit - Percentage Of Sales

<table>
<thead>
<tr>
<th></th>
<th>Lowest Quartile</th>
<th>Upper Quartile</th>
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</thead>
<tbody>
<tr>
<td>Typical NRMCA Member</td>
<td>-15.4%</td>
<td>4.0%</td>
</tr>
<tr>
<td>Southeastern Region</td>
<td>-17.8%</td>
<td>-20.0%</td>
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Pre-Tax Profit

-17.8%  -8.1%  -15.4%  4.0%
Cost vs Price per Cubic Yard

Avg. Price per Cubic Yard

<table>
<thead>
<tr>
<th>Year</th>
<th>Avg. Price per Cubic Yard</th>
</tr>
</thead>
<tbody>
<tr>
<td>1996</td>
<td>$59.88</td>
</tr>
<tr>
<td>1997</td>
<td>$60.80</td>
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<tr>
<td>1998</td>
<td>$63.63</td>
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<tr>
<td>1999</td>
<td>$65.26</td>
</tr>
<tr>
<td>2000</td>
<td>$66.24</td>
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<tr>
<td>2001</td>
<td>$67.21</td>
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<tr>
<td>2002</td>
<td>$68.04</td>
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<td>2003</td>
<td>$69.44</td>
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<tr>
<td>2006</td>
<td>$91.88</td>
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<tr>
<td>2007</td>
<td>$94.15</td>
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<tr>
<td>2008</td>
<td>$96.05</td>
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<tr>
<td>2009</td>
<td>$90.42</td>
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<tr>
<td>2010</td>
<td>$97.87</td>
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</table>

Avg. Total Cost per Cubic Yard

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<tr>
<th>Year</th>
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<tr>
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<td>2007</td>
<td>$86.11</td>
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<tr>
<td>2008</td>
<td>$94.22</td>
</tr>
<tr>
<td>2009</td>
<td>$99.12</td>
</tr>
<tr>
<td>2010</td>
<td>$97.87</td>
</tr>
</tbody>
</table>
US Ready Mixed Concrete Production vs Profit Per Cubic Yard

[Graph showing US Production and Profit per Yard from 1975 to 2009.]

Profit per Yard

Million Yards

0 50,000,000 100,000,000 150,000,000 200,000,000 250,000,000 300,000,000 350,000,000 400,000,000 450,000,000 500,000,000


US Production

Profit/Yd
US Production vs Pre-Tax Profit

<table>
<thead>
<tr>
<th>Year</th>
<th>US Production</th>
<th>Avg. Pre-Tax Profit</th>
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<tbody>
<tr>
<td>1996</td>
<td>329</td>
<td>$2.89</td>
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<tr>
<td>1997</td>
<td>348</td>
<td>$3.51</td>
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<tr>
<td>1998</td>
<td>372</td>
<td>$4.76</td>
</tr>
<tr>
<td>1999</td>
<td>391</td>
<td>$5.27</td>
</tr>
<tr>
<td>2000</td>
<td>396</td>
<td>$3.23</td>
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<tr>
<td>2001</td>
<td>406</td>
<td>$2.30</td>
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<tr>
<td>2002</td>
<td>390</td>
<td>$2.98</td>
</tr>
<tr>
<td>2003</td>
<td>404</td>
<td>$6.14</td>
</tr>
<tr>
<td>2004</td>
<td>431</td>
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<td>2005</td>
<td>458</td>
<td>$6.06</td>
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<td>2006</td>
<td>456</td>
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<tr>
<td>2007</td>
<td>415</td>
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<tr>
<td>2008</td>
<td>351</td>
<td>-$8.00</td>
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<tr>
<td>2009</td>
<td>257</td>
<td>-$7.27</td>
</tr>
<tr>
<td>2010</td>
<td>257</td>
<td>$0.00</td>
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</tbody>
</table>
Contribution by Company Size

- Under 100,000 cyd
- 100,000 - 299,999 cyd
- 300,000 - 500,000 cyd
- Over 500,000 cyd

Typical NRMCA Member
Lowest Quartile
Upper Quartile

Year:
- 2006
- 2007
- 2008
- 2009
- 2010
Contribution by Region

- Northeastern Mid-Atlantic
- Southeastern
- North Central
- South Central
- Great Lakes
- Rocky Mountain
- Pacific Northwest
- Pacific Southwest
- Typical NRMCA Member
- Lowest Quartile
- Upper Quartile

Year:
- 2006
- 2007
- 2008
- 2009
- 2010

Contribution Levels:
- $0.00
- $5.00
- $10.00
- $15.00
- $20.00
- $25.00
- $30.00

Typical NRMCA Member Contributions:
- Lower Quartile
- Upper Quartile

Rock Solid - Concrete Results
EBITDA by Company Size

-10.0%  -8.0%  -6.0%  -4.0%  -2.0%  0.0%  2.0%  4.0%  6.0%  8.0%  10.0%  12.0%  14.0%  16.0%

-10.0%  -8.0%  -6.0%  -4.0%  -2.0%  0.0%  2.0%  4.0%  6.0%  8.0%  10.0%  12.0%  14.0%  16.0%

Under 100,000 cyd  100,000 - 299,999 cyd  300,000 - 500,000 cyd  Over 500,000 cyd  Typical NRMCA Member  Lowest Quartile  Upper Quartile

2006  2007  2008  2009  2010

ROCK SOLID • CONCRETE RESULTS
EBITDA by Region

Northeastern  Mid-Atlantic
Southeastern
North Central
South Central
Great Lakes
Rocky Mountain
Pacific Northwest
Pacific Southwest
Typical NRMCA Member
Lowest Quartile
Upper Quartile

2006 2007 2008 2009 2010
2010 Typical Producer
Average Sales Price Per Yard $90.42

Material: $22.98
Other: $17.76
Delivery: $6.28
Plant: $22.98
Fixed CST: $50.85
Profit: -$7.27

ROCK SOLID • CONCRETE RESULTS
2010 Upper Quartile Producers
Average Sales Price Per Yard $98.96

- Material
- Plant
- Delivery
- Fixed CST
- Other
- Profit

$51.72

$20.75

$17.40

$5.71

-$0.66

$4.04
2010 Lowest Quartile Producers
Average Sales Price Per Yard $85.05

Material $23.71
Plant $17.84
Delivery $49.73
Fixed CST $7.02
Other $49.73
Profit $49.73

- $0.24
- $13.01
- $13.01
Net Average Sales Price (per cubic yard)

$68.04, $69.44, $80.98, $90.31, $91.88, $94.15, $96.05, $90.42
Total Raw Material Costs (per cubic yard)
2010: Total Raw Material Costs (per cubic yard)

<table>
<thead>
<tr>
<th></th>
<th>Typ NRMCA Member</th>
<th>Lowest Quartile</th>
<th>Upper Quartile</th>
</tr>
</thead>
<tbody>
<tr>
<td>Raw Materials Costs</td>
<td>$50.85</td>
<td>$49.73</td>
<td>$51.72</td>
</tr>
</tbody>
</table>
SE Region: Total Raw Material Costs (per cubic yard)

<table>
<thead>
<tr>
<th>Raw Materials Costs</th>
<th>Southeastern Region</th>
<th>Typ NRMCA Member</th>
<th>Lowest Quartile</th>
<th>Upper Quartile</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0.00</td>
<td>$51.58</td>
<td>$50.85</td>
<td>$49.73</td>
<td>$51.72</td>
</tr>
<tr>
<td>$10.00</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
</tr>
<tr>
<td>$20.00</td>
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<td>$0.00</td>
<td>$0.00</td>
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<tr>
<td>$30.00</td>
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<tr>
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<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
</tr>
<tr>
<td>$60.00</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
</tr>
</tbody>
</table>
## The Bottom Line – 2009 vs. 2010 Results

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Sales</td>
<td>$96.05</td>
<td>$90.42</td>
</tr>
<tr>
<td>Total Variable Costs</td>
<td>$76.05</td>
<td>$74.89</td>
</tr>
<tr>
<td>Marginal Contribution</td>
<td>$20.00</td>
<td>$15.53</td>
</tr>
<tr>
<td>Total Fixed Costs</td>
<td>$23.02</td>
<td>$22.98</td>
</tr>
<tr>
<td>Profit Before Taxes &amp; Other Income/Expense</td>
<td>$(3.02)</td>
<td>$(7.45)</td>
</tr>
<tr>
<td>Other Income</td>
<td>$0.72</td>
<td>$0.85</td>
</tr>
<tr>
<td>Other Expenses</td>
<td>$(0.77)</td>
<td>$(0.67)</td>
</tr>
<tr>
<td>Profit Before Taxes</td>
<td>$(3.07)</td>
<td>$(7.27)</td>
</tr>
<tr>
<td>EBITDA</td>
<td>$3.70</td>
<td>$(0.34)</td>
</tr>
</tbody>
</table>

- **Total Sales**: 
  - 2009: $96.05 (100.0%)
  - 2010: $90.42 (100.0%)
- **Total Variable Costs**: 
  - 2009: $76.05 (79.2%)
  - 2010: $74.89 (82.8%)
- **Marginal Contribution**: 
  - 2009: $20.00 (20.8%)
  - 2010: $15.53 (17.2%)
- **Total Fixed Costs**: 
  - 2009: $23.02 (24.0%)
  - 2010: $22.98 (25.4%)
- **Profit Before Taxes & Other Income/Expense**: 
  - 2009: $(3.02) (-3.1%)
  - 2010: $(7.45) (-8.2%)
- **Other Income**: 
  - 2009: $0.72 (0.7%)
  - 2010: $0.85 (0.9%)
- **Other Expenses**: 
  - 2009: $(0.77) (-0.8%)
  - 2010: $(0.67) (-0.7%)
- **Profit Before Taxes**: 
  - 2009: $(3.07) (-3.2%)
  - 2010: $(7.27) (-8.0%)
- **EBITDA**: 
  - 2009: $3.70 (3.9%)
  - 2010: $(0.34) (-0.4%)
During The Height Of The Recession, Here Was The State of Most Producers

- All were experiencing severe volume and sales price declines, which are now accelerating
- Working capital was the tightest in memory
- Accounts payable were stretched out industry-wide
- DSO increases were endemic, and acceleration in credit losses were a harsh reality
During The Height Of The Recession, Here Was The State of Most Producers

- Trade credit quality issues were endemic up and down the trade receivables column:
  - Cement producers were owed significant money by their ready mix customers
  - Ready mix producers were in turn owed by long-time contractor customers
  - It was the worst cycle we have seen in memory

These credit issues are mostly behind us as the slow recovery takes hold
During The Height Of The Recession, Here Was The State of Most Producers

- Negative cash flows were common
- Most banks moved industry loans into “Special Assets”, and a few producers suffered forced sales or liquidations
- Materials suppliers were the most stretched they have been in memory, limiting the assistance they can provide to their best customers as in past recessions
...So What Does This Mean?

• We accurately predicted, within a few percentage points, the industry’s performance in each of the last five years
• 2011 was the economic bottom, as will be reflected in the IDS results in September 2012
• Our view is that:
...So What Does This Mean?

- Selling prices will have fallen further compared to 2010, maybe as much as $5-7 per yard
- Volumes will be up slightly, from 257 to 265 million cubic yards
...So What Does This Mean?

- Operating losses will be stable to up slightly, as producers worked to find every opportunity to close the gap between selling price and volumes and the cost of operating their businesses.
...Here Is What We Say Today

• These results illustrate clearly how significantly volume impacts this industry, and while we can’t quantify the improvement, our sense is that 2012 will be the stable beginning of the turnaround.

• While we all know there is still a housing hangover, there is a market-by-market improvement in new starts.

• However, certain markets are STILL experiencing sinking prices on foreclosed houses, increasing the spread between existing and new construction.
...Here Is What We Say Today

- Housing inventories have to work their way through the system in every market before new starts rebound, affecting collateral commercial work.
- But most importantly...

*Starts at around 400K per year for 5 years is unsustainable, and shortages are in the headlights!*
...Here Is What We Say Today

• The GNP has undoubtedly moved into positive territory, albeit with VERY slow growth, and while we see gains in retail sales and improving consumer confidence, it has yet to positively impact the construction industry

• The banking crisis is under control, due to aggressive intervention by the Federal Reserve that has delivered the intended result

• We want to believe that the economic stimulus will have its intended impact, but it will be years before we can look back and determine if it was successful

• The decision to bail out the auto industry was obviously the right decision
...Here Is What We Say Today

• The GNP has undoubtedly moved into positive territory, albeit with VERY slow growth, and while we see gains in retail sales and improving consumer confidence, it has yet to positively impact the construction industry

• The first quarter was robust, but the entire 1000-point gain since January was erased in May, as headline news on slowing job growth and the Euro Zone have once again point to a bumpy recovery...

....but it is a recovery
Our industry’s recovery will be a slow and gradual growth cycle, which clearly started this year (2012).

Thereafter, expect shortages in raw materials, rolling stock, and equipment essential for the next growth cycle.

By 2015, we expect close to a full recovery, with accelerating growth due to pent up demand.

These kinds of growth spurts are not uncommon in our industry, as evidenced by past performance.

Take a look at historical gains:
Ready Mixed Concrete Production

Annual Production (Cubic Yards)
We are VERY concerned about the Lowest Quartile in certain slow-to-recover markets, as we cannot expect some to survive.

The patience and largess of cement and aggregates suppliers is wearing thin, and we expect they will take a harder line on customers they have been carrying for the last few years.

The total headcount in companies, plants in service, and serviceable rolling stock will be down substantially when the recovery takes a firm hold.
...Here Is What We Say Today

- The industry is turning the corner in 2012, with a projection of 304 million cubic yards.
- This is almost 50 million cubic yards more than the trough, raising questions about the ability to handle this growth in an equipment and personnel-constrained industry.
- For example, this is 10,000 more mixer trucks needed to handle this volume.
...Here Is What We Say Today

• If the growth in GNP, which has been slow but steady, can pick up speed and fuel further employments gains, these positive trends will bolster consumer sentiment and help speed the recovery
• We believe we will end the year north of 300 million cubic yards, followed by a big improvement in 2013

By 2014-15, get ready for a strong ride!
And Finally...

Thank You!