The Stock Podcast Interview Transcript

Participants

Bruce Young, CEO of Concrete Pumping Holdings (BBCP)

Nate Abercrombie, The Stock Podcast

Interview Transcript

Nate: Thank you very much for coming onto the podcast.

Bruce: Well, thanks Nate. I appreciate you inviting me here.

Nate: It's my pleasure. I'm personally very interesting in your business. You guys generate tons of free cashflow. But before we get to anything financials related, we'd just like to hear about your background.

Bruce: Well, thanks. So I've been the CEO of the business since 2008, with the company in 1985. I started in the concrete pumping business in 1980 in Casper, Wyoming as a concrete pump operator. And then I was involved in starting the Eco-Pan business in 1999 in our Seattle operation, where I was our branch manager at that point and time. And I've been the CEO of the Eco-Pan business since we started it.

Nate: Okay. That's great to know. I'm very interested in what Eco-Pan is, but before we get to Eco-Pan, I guess just the history of Concrete Pumping Holdings would be, I think, educational for listeners.

Bruce: Yeah. So this is a great a story. Brundage-Bone Concrete Pumping was started by Jack Brundage and Dale Bone in 1983. And they had very ambitious goals. They had decided that they wanted to come together and build a national player in the US. And the goal to build that was to bring in the very best equipment, hire the very best people, acquire the very best businesses and build that out over some period of time. Now as you know today with the size that we are, we've accomplished most of those goals. We have a phenomenal team of people. We have service offerings that are far superior to anyone else in our industry. Not only do we have a national presence, we acquired in 2016 the Camfaud businesses in the UK, so we've extended it with that being our first international opportunity. We sold the business in 2014 to Peninsula Pacific Strategic Partners, which was a private equity firm based out of California. And at the same time, myself and other managers, we owned Eco-Pan separately, and we tucked Eco-Pan in with that acquisition. We ran that for about four years. It was quite successful for all of us. And in 2018, we decided to go auction and market the business. And through that auction, we met the folks from Industrea, which is a SPAC sponsored by Argand. And we were able to become a public company in December of 2018 through that SPAC.

Nate: Could you talk a little bit about the business model? So how do you guys make money?

Bruce: Yeah. So in the concrete pumping service, whether it's on the US or the UK, especially with our national footprint, we supply concrete pumping services to customers in various end markets, where anywhere you can't drive a ready mix truck through, the most efficient, safest way to place concrete is putting it through a concrete pump. And these concrete pumps come in many different shapes and sizes and configurations so that we can meet what our customers' needs are. And then with our Eco-Pan business, we have found in the US and the UK, we both have the same environmental controls and regulations that need to be adhered to, and so every concrete placement requires a washout system. And so we believe in the US this is about a $900 million market, of which we only have about a little over 3% market share.

Bruce: And the idea is that we provide pans to job sites that are in various sizes, where you can either clean out a concrete pump into a pan, a smaller pan, or larger pans are used to clean out ready mix trucks and other tools on the site. And then what we do is we have a lid that seals in the liquid waste. We haul it off to recycle facilities to have the materials recycled, and it's sold off as backfill or road base.

Nate: So explain that just a little bit. What is concrete washing?

Bruce: So when we're pumping concrete, we have a pipeline on our boom truck, so if you're looking at the concrete pump, it looks similar to a crane that is mounted on a truck that drives up and down the road. And there's a pipeline on that, and when you finish pouring, you have to clean the pipeline out. The way you do that, you bring the material back into the hopper that is used for the concrete to be poured into. At the end of the pour, that hopper needs to be dumped on the job site. In many areas, especially in downtown areas, or nearly every residential area we deal with now, they have some controls or some constraints on where that washout can be handled. And so historically, it was just dumped on the ground. Well, dumped on that ground, the water runs in the storm drain and is a pollutant and causes other issues. So we provide these pans, where you can actually stick the pan under the hopper of the concrete pump. When we're done pumping, we dump the hopper of the pump into the pan. It contains that liquid waste, and again, with the ready mix trucks, they have chutes that they're pouring concrete down these chutes as they're either pouring into a concrete pump, or if they not using the concrete pump, they're still using those chutes that need to be washed out at the end of the day. We provide a container to wash that material off of those chutes into before it gets hard on the chute or in a concrete pump.

Nate: I see.

Bruce: And that's we haul off to have recycled.

Nate: And where do you haul it off to?

Bruce: So we haul it off to ... And it's done differently in different markets based on the way the regulation in those markets are. But for the most part, we haul them off to certified recycling facilities where they separate the water out from the solids, and then the solids are dried and then crushed.

Nate: Okay. Do you own those facilities?

Bruce: We do not.

Nate: Okay. And you mentioned 3% market share for Eco-Pan. That 3%, is that because nobody else is capturing the 97%? Or do you have competitors in that space as well? Or is that just the opportunity set when you think of where Eco-Pan is today currently in terms of how much money it makes?

Bruce: So the competition for Eco-Pan that does what Eco-Pan does is really small. There are a few mom-and-pop businesses that do it in a couple of the locations we're in, where largely they're trying to copy our service. What we're really competing against is other methods that aren't very efficient. For instance, if you look at a subdivision where they're building houses, they may have an area where they have hay bales and Visqueen, and they pour into that, which is very costly to clean up, and it's very difficult to maintain the washout. You'll see washout rolling, running out of those sorts of things. So we have a program called Pits to Pans. Right? So we teach them how inefficient their pit is, and how cost effective the pans are, and how more efficient it is to show them that there are other alternatives. And still, across the US and in the UK, there's a lot of concrete that's being washed out right on the ground.

Nate: Yeah. Okay. And so what assets do you own? Do you own trucks? How many trucks?

Bruce: We have a lot of trucks. We own about 1100 pieces of equipment. Nearly 800 of those are truck mounted boom pumps, which is the largest part of our business, which is the trucks that you see driving up and down the road that look similar to cranes, that again, when they're on the job site, they're unfolded. And these trucks, again, they come in various sizes. Some of them weigh as much as 140,000 pounds.

Nate: Wow.

Bruce: And they're quite expensive. They're very technical machines. We also own about 150 static units, which are line pumps that can be placed on job sites, more for pumping high rise buildings or pumping into mines long distances. Those things have the capability of pumping concrete horizontally nearly a mile.

Nate: Wow.

Bruce: And can pump to the top of the highest buildings in the US or the UK. We also own Telebelts, separate placing booms. Telebelts are conveying systems that can be used to convey concrete. They're truck mounted, again, like our boom trucks. They can also be used to convey other materials like top soil or aggregates. We own separate placing booms. These are booms that can be attached to high rise buildings or other large infrastructure projects, where the distances that the concrete would be placed would be much farther than what a boom pump would reach, so we have the ability to either have separate booms or detached booms from our mobile units and put them into those areas. And then with our Eco-Pan business, we own nearly 80 trucks. They're basically knuckle boom, boom trucks that are used in this delivery service to deliver pans to the job site and then to the recycle facility.

Nate: For somebody who doesn't know what a boom is, could you just describe if you can? What is a boom?

Bruce: Yeah. So a boom would be anything that would be sitting on a truck that can be extended out to reach areas that you couldn't drive a ready mix truck to, as far as where the concrete pumps are. Now with the Eco-Pan trucks, we use what's called a knuckle boom, which is a boom that has many small sections that fold into itself. And it's used largely to load and unload the pans from the truck and put the pans strategically on the job site where it's most necessary for the usage.

Nate: One of the things, one of the questions that I like to ask CEOs like yourself is, or at least go in that direction, is trying to highlight replacement value. And I'd be really curious to know what the sort of high range and the low range of any given boom truck might be. So how much would it cost to buy high end boom trucks versus one of your low end boom trucks.

Bruce: Yeah. That's a really good question. So the smaller booms new cost somewhere in the $400,000 range up to the larger units are nearing a million and a half dollars each.

Nate: Wow.

Bruce: Now the Eco-Pan trucks cost about $300,000. Most of our units have a 20 year useful life. However, our larger units will reach certain volumes, and typically our larger booms will be sold or traded off at about 10 years.

Nate: Oh, really? Okay. What's the average life of your fleet right now?

Bruce: Yeah. So the average life of our fleet is between eight and nine years old.

Nate: So what do you typically ... I mean, is it half the price of ... Have these things depreciated on a 20 year basis, and then you can then sell them off for essentially have the price that bought them for? Or how does that ...

Bruce: Well, it's not quite that good. So the 20 year assets are depreciated over 20 years with a 20% residual. And so a $400,000 asset would be depreciated over 20 years. And then the idea is to sell it for about $80,000.

Nate: I see. Okay. And then what other assets do you own apart from trucks? Is there anything else that you'd like to talk about?

Bruce: We own many of our facilities, so we have quite a bit of value in real estate. We have miscellaneous equipment, pickup trucks, forklifts, just the general equipment necessary to operate our yards to make sure that we're maintaining our equipment and have the equipment to go out and service our equipment on job sites if necessary.

Nate: Could you walk us through just sort of the typical steps of an average project for Concrete Pumping Holdings?

Bruce: There isn't really an average project. It varies by end market and by the size of the projects. Looking at a large commercial project or a large infrastructure project, we'll track that project for several years before it even goes to the bid stage. Once it's in the bid stage, there'll be several contractors that are bidding that particular project. Of course, we want to get in with those contractors and show them the service that we provide and how we can work together to provide the most efficient way to place the concrete on their projects. It's always better to get out in front of that early. And then one of those contractors will successfully win that bid. And then of course, then it's up to us to get with them and secure the work with that contractor. Now in residential, you have large home builders that have large residential tracts, where they have several homes, several hundred homes in them. It's more of dealing with them on an annual basis, updating pricing annually and making sure that we're providing the needs that they would have on that type of a project.

Nate: Yeah. What's the average size of a project? Is there an average for that?

Bruce: Well, there is. And so across our company, the average size of a project's going to be somewhere around 80 cubic yards. However, we'll do projects every day the are over 1000 cubic yards per machine that goes out. And we'll do some projects that might only have three or four cubic yards of concrete on them.

Nate: Yeah, yeah. And is there a price that you've talked about per cubic yard?

Bruce: There's not a specific price per cubic yard that we would have that would meet all projects. The way we bid our service, many of our costs are hourly costs. And many of our costs are associated with the amount of yards per hour that we pump. So we charge an hourly rate, which is based on what our hourly costs are. And we charge a yardage charge. We charge a yardage charge that is based on what our yardage costs would be. And then we charge travel to and from the project. And so depending on the size of the unit, the larger units obviously are more expensive to operate, so the hourly rate would be a little higher than what it would be on a smaller unit. And the yardage rate would be something similar to that. It costs more per yard to pump through a larger unit than a smaller unit.

Nate: Yeah. And the actually concrete is a pass through.

Bruce: Yeah. So we never take ownership of the concrete. We're purely a construction services business, where the contractor orders us separately from the concrete. We show up on the site earlier than the concrete to make sure the equipment's set up and ready to go when the concrete shows up. And then our function is to put the concrete as efficiently and as safely as we can in the point of placement where basically the contractor eventually wants that concrete to end up.

Nate: Yeah. Who do you source concrete from?

Bruce: We don't source concrete from anyone. We love all the concrete suppliers, and we work with all of them. It's the contractor's responsibility to order the concrete.

Nate: Okay. Okay. So they order that separately, and then they tell you, "Go pick it up over here."

Bruce: No. We don't pick it up. So our trucks drive to the job site. It is purely a boom with a hopper and a pump kit, where they pour the concrete into us. Comes separately in a ready mix truck. They pour into the hopper of our truck. We pump it through our boom into the point of placement where the contractor wants it on the job site.

Nate: That's super helpful. I actually thought that you were going to get the concrete, bring it, and ... Okay. So that's-

Bruce: That's a common mistake.

Nate: Yeah. Okay. So who are your customers?

Bruce: So our customers are usually and almost always general contractors and concrete contractors. We do some homeowner work, but largely it's those customers. And they're in all end markets. So as we designed our business to support all end markets equally, we need them all. We know that from history that different end markets cycle at different times, and different geographies cycle at different times. So we've worked very hard to design our business to be resilient through cycles based on catering to all those end markets, and obviously, our footprint helps us with geographic diversity.

Nate: Yeah. What part of the construction, there's industrial, residential, commercial, is there an end segment that you're really optimistic about right now, and one that you're not as optimistic about?

Bruce: We actually are fairly optimistic about all end markets in general across the US. Now we see pockets of, and we always see pockets in areas where the markets tend to ebb and flow. For instance, in Colorado, where we're at here for this interview, the commercial markets have been a little slower the last couple years. The economy's still good here. We've moved, our assets are all on trucks. It's very easy to move them from one market to another. Costs us about $3 a mile to move an asset. For instance, if Salt Lake's busy and Denver's slow, for $1500, we send a truck there. And if utilization is improved there in a week's time, we pay for the cost of the move. So as we look at the different end markets and the way they cycle, we are very careful about making sure we have the assets in the areas where the markets are hotter and where the customers need certain type of assets. We want to make sure that we have the assets available to them for the various types of projects.

Nate: Okay. And then as somebody who covered energy in my previous career at Janus Capital, there's a lot of concrete that's involved in building out a pad for an oil and gas well. Is there a lot of oil and gas activity that you guys are exposed to? Or is that something that you guys don't touch?

Bruce: Yeah. Interestingly enough, we do some work for oil and gas, but we also use a lot of fuel. So as the energy markets ebb and flow, we actually are the benefit of better fuel pricing when the energy markets are down than when they're strong and the amount of revenue we create by pumping concrete on energy projects.

Nate: And then when energy prices are up, that means there's a lot of activity.

Bruce: There's activity, but fuel prices go up at the same time. And so then we have to find ways to offset the cost of our service by putting fuel surcharges on, or increasing our rates to offset the additional cost of fuel.

Nate: Yeah. I'm just curious. I won't include this. But do you guys hedge at all? Do you do any hedging?

Bruce: No, we've looked at it, but we never have. And I'll tell you the reason we don't is that we're largest at what we do. And that's one area we always have an advantage. We always buy fuel cheaper than everybody else anyway because of our volume pricing. And so we haven't thought about ... We haven't acted on hedging fuel just because we already have an advantage there, and we just want to take that risk away from ourselves.

Nate: Yeah, yeah. So going back to Eco-Pan, you've called it a category killer. What do you mean by that?

Bruce: Well, as I mentioned earlier, that this is an industry that we only have about 3% market share in. There's an enormous amount of growth opportunity, largely across the US and in the UK. Concrete's still being poured out on the ground. Everybody knows they shouldn't be doing it, but they're getting away with it. As we're showing, proving out to the market that we have a solution that's very cost effective, in fact, in many cases the labor savings alone offset the cost of the Eco-Pan. We're able to grow that business much more rapidly than any other aspect in our business. And it's the portion of our business that has the highest margins.

Nate: Yeah. Oh, okay. What's the impetus for a customer to say yes to Eco-Pan? Is it just, I want to be a good steward of the environment? Or are there regulations, state, federal, municipal, that are compelling contractors to say, "We have to have an Eco-Pan type of system"?

Bruce: So we've seen some of both. We've seen where contractors have been fined, and they need to find out a solution, and we get those calls. But for the most part, we were able to get with a contractors, prove out the value of what we're doing, proving to them that it's not an enormous additional cost to them. It protects them from any kind of future fines and it keeps the job sites much cleaner.

Nate: Yeah. What about the competitive landscape. I mean, you talked about the smaller, the average size of concrete pumping companies, about seven units, seven trucks. Is it a pretty fierce competitive landscape when it comes to bidding on projects? And what advantages does Concrete Pumping Holdings have ... I'm sorry. It's a real tongue twister for me.

Bruce: Me too.

Nate: What kinds of advantages does Concrete Pumping Holdings have when it comes to the thousands of competitors that are out there, or hundreds of competitors that are out there?

Bruce: Sure. And any job site, any of our customers have a responsibility to make sure that they get a fair deal on anything that they purchase. And we know that going into it. And so what we try to do is prove out the value of what we do. If you look at how concrete's placed on a project, you have the concrete come to the site. It's going to be about 10% of the cost of the entire project. You have labor on the site that is the most precious thing. We're in a market where labor is very difficult to get for everybody. And you have a concrete pump that's about 1% of the cost of the project. If the concrete pump isn't functioning, the concrete has a 90% life from the time it's batched until it's put into place. And much of that's used up in transit to the job site. So when the concrete gets to the site, we might have 20 to 45 minutes to get the concrete put in place before the concrete starts to set. Now if we're not successful, or if the concrete pump isn't successful in getting the concrete from the truck up to the point of placement, that concrete's getting hard in the truck. It's going back to the batch plant unused. The labor on the job site is idle that could be better used for many other things. So as our customers look at us, in many cases, they look at the concrete pumping service as an integral part of making sure that that job site is successful. And so they're not as probably sensitive to a concrete pumping service as what they might be to buying raw materials or other things on the job site. They want to make sure that ... Of course, it's their responsibility to make sure that they pay a fair amount of money, but they also want to make sure they can sleep at night knowing the service that is provided to them is the best that's available. And if there is an issue, that company has the ability to react to that in a timely manner to continue the flow of that concrete placement.

Nate: Yeah. Yeah. You mentioned labor. And it's something I didn't really talk about in here. I mean, you said labor is tough right now. What are your sort of high level thoughts on labor? And then specifically for Concrete Pumping Holdings, how do you retain the good labor, the good drivers, the good operators?

Bruce: So as you know, the construction industry in general has had a difficult time attracting younger workers. Wages are really high in the industry, so it doesn't seem to be all about wages. The demands of the construction site are always very demanding. The hours are sometimes longer. The work can be physical. So attracting labor is challenging. Now a concrete pumping service or an Eco-Pan services actually minimizes labor on the job site. For instance, if you're going to wheelbarrow concrete, there's 200 wheelbarrow loads of concrete in a 10 yard load of concrete. And trying to find guys to push those 200 wheelbarrows, that's going to be kind of hard to do.

Nate: Yeah.

Bruce: And so the concrete pump basically would put the concrete in place and replace all those guys. So if you even were thinking about wheelbarrowing concrete, you may not find the labor to do it anyway, so we're certainly a labor saver there. While it's difficult for us to find labor, we do pay good wages. We do have good benefits. We do understand what the challenges are and what support those folks need. Most of the leaders in our business have been concrete pumpers at one point in their life, and we have a full understanding of what it takes and what support they need, and it's something that we're very focused on. And I think we, for the most part, do a very good job of retaining our employees.

Nate: Yeah. Thanks for that. Could you talk a little bit about the seasonality? I know that's come up on a couple of your calls, and would just like to hear. So I used to work in the wind industry. I remember hearing one of your conversations about pouring in winter is very difficult. And I remember there was a certain cutoff point where you couldn't start the concrete process, laying the foundation for a windmill or wind turbine because it just got too cold, and the concrete wouldn't set. But I'd just like to hear from you. And that's for the wind industry. And I'm sure that because you're much more diversified in terms of your end customers or your markets. What is the seasonality? How would you characterize that for listeners?

Bruce: Yeah. So we're not currently in any markets that get totally devastated by weather in the winter. If you drew a line from Seattle to Charlotte, we're largely south of that line. We do have markets that deal with winter weather and cold spells, but they're usually not extended for more than a few weeks at most. And usually, it's only a week at a time. The nice thing about the way that we have set up our business is we have this geographic diversity where you're not going to get bad weather in all locations at the same time. It's very unlikely. Now we will have pockets where we may have a cold spell in Denver, and Denver may be slow for a few weeks while we're getting through that. But largely, all that's taken care of in the winter. Our fiscal year is November 1st through October 31st. So the first half of the year, we deal with most of our weather issues. And so historically, about 45% of our revenue will be in H one, and then 55% of our revenue will be in H two. And we factor that into our budget.

Nate: Yeah. Are there any financial impacts from delays, from weather delays? Do you get dinged from something that you're not in control of?

Bruce: No. The nice thing about our business is we really don't have any responsibility other than getting the concrete put I place. There's no liquidated damages if the job is delayed because of weather, that sort of thing. We don't have any bonded requirements, no surety requirements, no retentions held on us. We're just a pure service business. When they're pouring concrete, we'll be out there, so no repercussions there. The challenge for our business is making sure that the things that are variable stay variable during winter weather. So we made sure we're very careful about how we work our labor. We know we're not using fuel, the wear parts on the machine, those things are quite easy. And during weather impacted times, for us the challenge is always controlling labor because that's the one variable cost that we have that our managers really need to work with.

Nate: Yeah. And then could you characterize the industry? So how does it break down in terms of market share? And who are the big players? Are there other big public companies like yourself that do concrete pumping?

Bruce: Yeah, so there are no other public companies that do concrete pumping service like we do. In the US, we have about a 13% market share. In the UK, we have 34% market share, fairly commanding market share in the UK. In both countries, the average concrete pumping service is around seven units. And all of our competitors are largely family owned businesses, with the thing that we see most of all is that many of these businesses were started, and the better ones have been in business for 20, 30, even 40 years. And the founders are getting older. Family owned businesses, and unless they have children that want to take the businesses on, we're the only call in the US and the UK, as we are the only acquirer of concrete pumping businesses at this time.

Nate: Yeah. Would you characterize, or have you heard people characterize Concrete Pumping Holdings as a roll up story? And what is your response to that?

Bruce: Yeah, so certainly there's an opportunity to do some roll up. We think that we're very good at growing organically as well, and improving our service and proving out our value to our customers. So as we look at our next five years, although acquisition's an important part of our strategy, organic growth with Eco-Pan filling in some of the white space there and organically growing our concrete pumping service is very important to us.

Nate: Yeah. You did make an acquisition earlier this year. And I'd just like to hear maybe your higher level thoughts on just the M&A environment. And then also just multiples. What is Concrete Pumping Holdings willing to pay for a business that could create a lot of value for your shareholders.

Bruce: Yeah. As we mentioned earlier, our industry is largely a mom-and-pop industry, family owned businesses. And many of them don't have succession plans. Many of them are getting older. The calls are plentiful in the US and in the UK for acquisition opportunities. We've been very open about how we would value a business, and the businesses that largely we're looking at now are in the $5 million to $10 million EBITDA range. And the value that we would place on those businesses usually start at four times EBITDA or 1.25 times the value of the assets, or those two things added together divided by two, and that's really the starting point to how we value a concrete pumping business.

Nate: Okay. Thanks for that. You said you're getting a lot of calls, meaning these mom and pops without succession plans are calling you to say, "Hey, look at our business."

Bruce: Yes, yes, multiple calls. We seem to get several calls every month.

Nate: Really? Wow. Primarily here in the United States, or?

Bruce: Yeah. So the businesses of that size are in the United States. Now we do have some smaller opportunities in the UK as well.

Nate: Yeah. From your perspective, what's the long-term strategy and vision that you have for your company?

Bruce: As I look at our business today, with provide great service to our customers. We have great vendor support. We have employees that are engaged, that have had opportunities to grow within the business. As I look at the business moving forward, it's really important to me that we continue to aggressively grow the business, to continue to improve the service offering we have to our customers, so that we're heads and shoulders above any of our competitors. And maybe most importantly as we grow the business, it gives the opportunity to teammates that are well deserving, that have really worked hard for this business, to advance and meet their career goals.

Nate: Yeah. And apart from focusing on customer service, providing the best service possible, what is your primary goal? When you wake up in the morning, is there something that you think about that fits into your vision or your strategy that you think is critical to achieving that, and that's something that you focus more of your attention on than anything else?

Bruce: Yeah. I would say that training and supporting our team to give them to opportunity to improve what they do. We've very, very focused on taking good young talent and encouraging them to really go after those opportunities that are there, and then giving them the tools to be successful with that. And if we're successful with our people, we'll be successful with everything else.

Nate: Yeah. And is there something that you would like your shareholders to sort of benchmark you against, or grade you on, two to three years out?

Bruce: Yeah. That's an interesting question because since we're the only public company that is in the concrete pumping industry and in the Eco-Pan type business industry as well, there's not public comps to tie us to. As we grow out the business, certainly as we're providing better service, becoming more efficient at what we do, we're very focused on making sure that we're providing better margins as we go. We are very focused on making sure that we find the best use of our capital so that we're getting the best return on our investments, and really focused on those things that help our shareholders increase shareholder value.

Nate: Yeah. Could you provide a couple of important milestones you hope to achieve over the next 12 months, and what those milestones mean for growth and profitability?

Bruce: Now we have given some public guidance on our Q three earnings report that show what we expect to do over the next year. And we still stand behind what we put out in that report.

Nate: Yeah. Okay. I'll be sure to link that onto the podcast.

Bruce: Thank you.

Nate: On the website. I would like to hear you characterize pipeline visibility because I think that maybe one of the reasons why your stock hasn't performed extremely well, is I think personally, I think it's partly because small and micro cap companies just don't get any attention whatsoever in the markets. And there's this trend towards passive investing. And I don't know if you're part of some sort of index. But who knows if you're included in some ETF out there? But I wouldn't bet that it's a big ETF, where you're seeing lots of capital inflows, or at least ETFs buying your shares. But I would, and this is me just speculating, but I would think that part of it is investors looking at your business and saying, "Maybe it's very cyclical. And there's no way to get comfortable around the growth outlook."

Nate: Could you talk about how you think about the pipeline visibility, how far out your revenues are visible from your perspective? And just help to educate investors in terms of how you're thinking about growth and your comfortability around what that growth outlook looks like, how you can bookend that whenever you sit down and you come up with your budgets every year.

Bruce: Sure. So as we look at the pipeline that we currently have, about 70% of our business is commercial or infrastructure type business. And about 50% of that are larger projects that we have very good visibility. We know going into 2020, which for us started November 1st, that we have every piece of specialty equipment, which is our highest margin equipment in use, and we will not have enough equipment to complete the projects we have going into next year. So we feel very, very good about that portion of our business. Now residential is a little less predictable. We've seen some softness in a few of the markets. But we've seen other markets that outlook is really good for residential going into next year. We follow things like housing starts and Portland Cement Association forecasts and just various other forecasts that are out there. We try to put our own logic on it, based on what we know that our customers are doing. But it's fairly easy for us to be comfortable a year out. And we see 2020 being a very good year for us.

Nate: Yeah. In the past, has your outlook been significantly wrong? For example, the housing crisis, when financing just dried up, and nobody was building houses. And that was a pretty unforeseeable event. But at the same time, did your outlook 12 months before sort of the bottom, or when things really started coming off, were you still able to capture what you expected you were going to capture 12 months before, again, things started rolling off? I'm sorry. This isn't a very clear question. But I'm just trying to get a sense for: How certain are you of that 12 month outlook? And yeah, just for investors to get a better feel for the visibility that you guys have and you talk about during your earnings calls.

Bruce: Yeah. So I've lived through several cycles. And the cycle in the early '90s, we actually grew through that cycle. The cycle in the early 2000s, we went back just a few percent. We were able to actually take assets from markets, move into new markets and capitalize that as the markets recovered. Actually, those worked out quite well for us. We didn't anticipate the downturn that we saw in 2008 and 2009. It was much deeper than what we had expected. But on the other side of that, we didn't expect the growth that we saw from 2002 to 2007. Now we had a bit of a bubble there. There was all kinds of reasons why that happened. We were more exposed to residential at the point in time, which we're much more cautious about being overly exposed to residential. What we've seen from 2011 through current is that we haven't had any kind of a boom. It's just been nice steady growth. We think a lot of that has to do with the labor shortage, where there's just not the manpower to build the buildings as fast as people would like them build, so that's kind of steadied things out. And I think that will continue to steady it out into the future. We're geographically much more diverse than we used to be. We're end market much more diverse than we used to be. And we've very agile to moving to the changes in the end market. So while we will see some softness in certain markets, we'll see strength in other markets. And we'll be very careful about making sure that our assets are where we're going to get the bet return.

Nate: Yeah. What happened to the business during 2008, 2009? I'm curious. You had unique insight because you're a critical component of the construction process, and the construction industry just kind of ... It dried up. Right? And I'd be curious to know. What did you see? Could you characterize just kind of what happened over that two to three year timeframe?

Bruce: Well, and for our business, there were several things that caused challenges for us. So we had the markets were declining more rapidly that what we'd ever seen. I don't foresee anything like that happening into the future. In 2008, they changed the regulations on the emissions on our trucks. So we bought a lot of equipment in 2006 and 2007 to get out in front of that, knowing that it would take a few years. It ended up taking five years to get the trucking industry to be able to find an engine that would meet the emission demands that could actually be used on a concrete pump. So we knew that was going to be an issue. We bought a lot of assets going into that. And then with the downturn, our business was levered at about six times EBITDA. So we were over levered because of the equipment and the downfall of the economy put us in a position where we restructured the business with the lenders.

Bruce: The restructuring was quite successful. The lenders ended up getting dollar thirty on their principle by taking an equity position of the business. And that was after all interest and professional fees were paid. It's quite a successful restructuring. It was a real education for the business. Actually made the business better because we had to put disciplines in place to improve our margins, improve our pricing, prove out the value of our service to our customers, and largely establish the business that we are today with the disciplines we have.

Nate: Yeah. Thanks for that. You mentioned pricing. Could you talk about pricing right now? What is pricing like? What are the trends that you're seeing?

Bruce: Yeah. So that's something that we're very focused on. We have great pricing tools. We know what margins we make per customer, per job site, per piece of equipment, per branch. We can slice and dice it in many different ways. And we know with our customers, which assets we're getting good returns on and which assets we need to get better returns on. And so as we analyze our pricing per project with annual agreements through customers, through just ongoing pricing strategies, we follow that very closely. We've had a great history of increasing our rates every year. In the US over the last several years, we've had around 3% price increase with our customers. In the UK, we've done a little better at about 4% price increase. And it's just something that we're always focused on, as some of our costs are going up as well. And certainly, it's important for us to maintain or improve our margins.

Nate: Yeah. And could you talk about margins? Again, I know there's not an average, average project, but could you talk about what you're targeting for the business at least in terms of gross margin, or EBITDA margin? Which margin is it that you focus more on?

Bruce: We focus more on EBITDA margins. And as a business, we're in the mid 35% range, and we're very comfortable at that level. We are focused on trying to find ways to offset the additional cost of labor by, I have a lot of volume buying power with the size we are in our industry. Everything we purchase, it's a competitive process. We have the philosophy that everybody has an opportunity to sell to us, but they have to earn it. And so we use that to control our expenses. And then as we build out our business over time, we believe we can improve those margins as we leverage keeping a stable overhead.

Nate: Yeah. So the biggest things that could push you below or above your margins are labor cost and fuel cost? Is there anything else that might have a big impact on swings in your margins one way or the other?

Bruce: Yeah. We can control labor pretty well. I don't think that's as big a concern on the margins. But the fuel costs, we can't control. It's going to be what it's going to be. We do know that we buy fuel at a better rate than our competitors do because of the volume purchasing that we have. But it is something that as the fuel prices change, that we have to find ways to adjust that in our pricing.

Nate: Could we talk a little bit about free cashflow? How do you define free cash flow, first of all?

Bruce: Yeah, so, free cash flow is defined as EBITDA less capex. And so capex is usually in the range of something around 11% per year [of revenues] and then that converts into a cash conversion of about 64%.

Nate: Okay, cash conversion from EBITDA?

Bruce: Yes.

Nate: Okay, so for this year, just so that I have this correctly, so EBITDA close to $100M and the capex number is 11% of that $284 / $285M? And then the cash conversion that you're talking about is free cash flow out of that EBITDA number?

Bruce: Correct.

Nate: Wow, that's significant for a company that only has a market cap of...but I guess it's gone up over the past few days.

Bruce: It's done pretty well the last few weeks!

Nate: Yeah, but still that's a significant free cash flow yield. And you haven't said anything about next fiscal year?

Bruce: The only thing that we've said about next fiscal year is that we expect to grow in the mid-single digits.

Nate: Okay, and then the capex number, still close to that 11%?

Bruce: Yes.

Nate: Okay, so I guess the next question is: What is the priorities with the cash today? Is it to reduce leverage? Or, I mean, I know that you made the acquisition earlier. And there's maybe some debt associated with that. What are your priorities with the free cashflow?

Bruce: Yeah. So our priorities with our free cashflow currently are that, number one, pay down debt. We'd like to de-lever the business over the next few years. We are in the process of still finishing up the integration of Capital. And within the next several months, we will be fully complete with that, although it is going extremely well to this point and time. And on top of that, we'll look for some opportunities to acquire businesses at good multiples. But they're more of the tuck in size, not anything transformational.

Nate: Yeah. So what target leverage ratio are you aiming for?

Bruce: So what we've told the market is we would like to be something around three and a half times at the end of 2020, and then ultimately long-term goal would be something around two and a half times.

Nate: And once you get to three and a half times, assuming that you're still generating the same levels, probably be generating a lot more free cashflow at that time, assuming nothing happens to the economy. Is there a dividend story in the future? Is there share buybacks? What are you planning on doing with incremental levels of cash once you get to your leverage targets?

Bruce: Yeah. We certainly haven't considered a dividend policy at this point and time. Not saying that couldn't be something in the future, but it's not something we're looking at currently. With our share value where it is today, certainly there's consideration of share buyback. But we'll always evaluate what our opportunities are, and we'll make the best decision that we believe will create better shareholder value.

Nate: Yeah. Sorry. I'm trying to put you on the spot here. But if you were at two and a half times today, what would you do with that cash?

Bruce: If we were at two and a half times today, certainly we would act upon the acquisition strategy a little more aggressively.

Nate: Yeah, yeah. Where do you want to be in terms of market share? Is there a target? Is that not something you want to talk about?

Bruce: There isn't a specific target. Certainly, we want to be thoughtful about our acquisition story. There's plenty of opportunity out there. Is it realistic to say that over the next 10 years that we could grow it to something over 20%. I think that could be reality.

Nate: Yeah. Does that translate into better margins?

Bruce: It should, yes.

Nate: Yeah. Yeah. That's really interesting. On an unrelated note, when I look at ... And I'm sorry, again, if you don't like to be characterized as a roll up story, but I covered the waste businesses when I was at Janus as well. And the waste businesses have done extremely well. I mean, there's a lot of analogies to be made with your business because it's-

Bruce: I don't mind being categorized as a roll up, just so you know.

Nate: Okay.

Bruce: I know there's something people that find that distasteful. But clearly, that's one of our best opportunities.

Nate: Yeah. Okay. That's good to know. But those waste companies have done exactly that. They've rolled up all these mom and pops. They've been able to, and it's not as though they're working together, but it's just fascinating how you listen to one of those earnings calls, and there are so many different levels of price, or landfill pricing, residential pricing, commercial pricing, industrial pricing. And they break it all out, and they talk about it in different ways. Anyway, those companies have done extremely well. And to your point, the two and a half times leverage is kind of where Waste Management is today. And everybody's like, "What are you going to do with the cash?" You're generating lots of cash. What are you going to do? You've got room to increase your leverage.

Bruce: We've got a lot of acquisition opportunities.

Nate: Exactly. Yeah.

Bruce: To us, it'd be a long time before we ran out of opportunity.

Nate: Yeah, yeah. Okay. Sorry for to digress about that.

Bruce: That's okay.

Nate: I thought it was interesting, and one of the reasons why I really wanted to have this conversation. So is there anything you'd like to share about insider ownership or insider buying right now? Again, price levels are ... Your stock seems very cheap from my perspective. And I'd be curious to know what you and other management team members are thinking and doing.

Bruce: Well, we have about 60% insider ownership in the business right now. And when we did a secondary offering in the spring at 450, many of us bought again, just because we believed that, that's a screaming deal. And we think that'll prove out over time. We have owners that are very focused on creating shareholder value. And I guess with 60% ownership, we're all aligned in what we're trying to do.

Nate: Yeah. Yeah, definitely. What's the biggest question that you ... Or what's the most common question that you get from current shareholders? And then what's the most common question that you get from potential shareholders?

Bruce: Yeah. So I think most people are struggling to understand where we're at in the cycle. Everybody thinks that we've had a long run. I know that the last cycle was very challenging for many people. And they're worried about that happening again. We've tried to tell them the story about how we built our business to be resilient through our end markets and our geographic diversity. We believe in that. I think people are starting to get more comfortable with that. The level of debt we have, they do have some concern about that. And while we're comfortable with it, we do recognize that de-levering will help them get more comfortable with the story. And we're very focused on that.

Nate: Yeah. Knowing what you know about your business, and assuming you weren't a shareholder, and again, I know you are now, you mentioned the 60% figure. What do you think is the most important thing you'd need to get comfortable with or learn about before making an investment in Concrete Pumping Holdings?

Bruce: I know everybody looks at investing a little bit differently. But I like to invest in businesses and people I believe in. And so what is it that they need to believe in? They need to believe in our management team, our commitment to create shareholder value long-term, our commitment to improving this business along the way. They need to get comfortable with the level of debt that we have and our commitment to getting that debt level at a position that ... And they're all comfortable at different levels. And to believe in our story of growing Eco-Pan as we have that opportunity to roll it through the Brundage-Bone markets and into other markets where we think we have an enormous opportunity, and then proving out the roll up story with our acquisitions opportunities that we have. Getting comfortable with those things, I think people will see that our business is currently selling at a great discount. And the opportunity could be fantastic for all of us.

Nate: Yeah. What do you think is the market's biggest misconception about your company or your industry?

Bruce: I don't think that they appreciate the technical nature of our equipment and the technical training of our people. I think people still try to equate us as an equipment rental business, where we are purely a service business.

Nate: What's the first tailwind that comes to mind for either your industry or your company? And what's the first headwind that comes to mind?

Bruce: Yeah, so tailwinds, if there's an infrastructure bill passed, which seems to be about the only thing that our government agrees on right now, that's all concrete. Everything in infrastructure's concrete. You look at bridge structures, you look at wastewater treatment plants, all these types of facilities that would be coming into play to improve our infrastructure are very heavily into concrete, so we're really quite excited about that. In the UK, we have Brexit that we're dealing with. If they can find an agreement to determine how to deal with Brexit and move forward, we've created a really nice market share there. And as that market improves, we see enormous opportunities in that market as well. As far as headwind goes, we have some concerns about the effects in the UK market, although, lately it seems to have been improving.

Nate: Yeah. Okay. I know you spend a lot of time talking to investors. But from your perspective, what's the most important question that never gets asked, and why?

Bruce: I would say that we've been extremely transparent with our investors. We have put out an awful lot of information on our business. I think that we've done a really good job of covering our industry with the potential investors. And I believe that nearly all the questions that I could think of that they could come up, we have been asked and answered in a public market.

Nate: Really? Do you like being a public company?

Bruce: You know, it's been an education for me. It's something I hadn't thought of when I started in my career. But I have found that there's a lot of really good people in the public market that certainly want to invest in businesses they believe in. And think that people are warming up to our story. And we'll continue to tell the story and build those relationships and do what we can to get them comfortable with what we're doing. But it has not been an uncomfortable thing. It's actually kind of energizing.

Nate: Yeah. The final question is just whether or not you can think of the most critical thing in your professional career that helped you get to where you are today.

Bruce: That's a really good question. It's something I've thought about a lot. I feel very fortunate to have had the opportunities that I have to get into the position I am in. Certainly, I've had enormously good teammates along the way that I've worked very closely with, and I consider us to have been successful together. But the one thing that changed us more than anything was taking our business through a restructuring in 2010 and 2011. And the disciplines that we've learned through that process made us a much better business today.

Nate: Well, Bruce, thank you so very much for coming onto the podcast. It's been a pleasure talking to you, meeting you, and learning about Concrete Pumping Holdings.

Bruce: Nate, thank you very much. I appreciate your time.

Nate: I appreciate your time.

Bruce: Thank you.