

**NEW RISK ALERT: (BBCP)**

## **Concrete Pumping Inc. Signals Potential Decline in Construction CapEx**

New language in latest 10-K hints at weakness in commercial construction & infrastructure markets, higher costs, and friction with suppliers.

*Published January 13, 2021*

*This alert compares the language used in the company's latest filing with the period before. [Research](#) suggests changes in language, particularly in the risk factor section, is a powerful indicator of future performance. Companies that change filing language, according to research, underperform those that don't by 30-50 basis points per month for the following year.*

### **New Worries Emerge Over Health of Commercial Construction Customers**

Concrete Pumping Holdings, Inc., a concrete pumping and waste management firm serving the U.S. and U.K., generates sales in the commercial, infrastructure and residential construction markets. In its 2019 annual report, BBCP warned investors that it may be adversely impacted if its customers can no longer access capital.

*“A worsening of economic conditions or a **decrease in available capital** for investments could cause weakness in our end markets...”*

With the Federal Reserve backstopping credit markets and the high yield market flush with liquidity, access to capital is not a concern. For these reasons, we're flagging a change in BBCP's latest 10-K that suggests access to capital is no longer a risk

*“A worsening of economic conditions or a **decrease in construction expenditures** and/or investments could cause weakness in our end markets...”*

This change is no accident. Though it may seem rather innocuous on the surface, it shifts the responsibility to spend on BBCP's customers rather than a third-party (credit markets).

## Policy Change Signals Costs May Rise Even if Operations Pause & Sales Decline

Just as BBCP raises questions about customer CapEx, it's also warning investors that any dip in sales may simultaneously be accompanied by an increase in costs. Concrete Holdings includes boilerplate language warning investors of seasonality risk, including adverse weather events that prevents work from being done.

In its latest 10-K, BBCP adds language suggesting it may now continue paying employees in periods when work cannot be completed.

*"In addition, during periods of extended adverse weather or other operational delays, **we may elect to continue to pay certain hourly employees to maintain our workforce, which may adversely impact our results of operations.**"*

The assurance to employees may indicate that a decrease in construction expenditures—outlined above—is more widely known throughout the company than investors understand. Or it may be due to the rise in employee union representations. The number of BBCP's U.S. employees who are union members rose from 8% to 12% this year.

## Equipment Supplier Relationships May Be Strained

Two of the three concrete pumping equipment manufacturers on which BBCP relies are now under new ownership. In the 2019 10-K, Concrete Holding warned investors that new ownership might impact equipment quality.

*"...we cannot provide any assurance that our vendors will provide their historically high level of service support and quality..."*

Concrete Holdings also warned that consolidation may prevent it from obtaining equipment on favorable terms or at all.

*"**unwilling to extend contracts that provide favorable terms to us** or may force them to seek to renegotiate existing contracts with us...**termination of our relationship with any of our key suppliers**...could have a material adverse effect on our business, financial condition, results of operations and cash flows..."*

In its latest 10-K, BBCP adds new language suggesting the possibility of friction between it and its suppliers.

*"...we cannot provide assurance that our **favorable working relationships** with our suppliers will continue in the future..."*