The Henry Fund
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MasTec, Inc. (MTZ)

September 15, 2023

Industrials – Infrastructure Construction

Stock Rating	BUY
Target Price	**$91-100**
Henry Fund DCF	$100
Henry Fund DDM	$70
Relative Multiple	$91
Price Data	
Current Price	$84.39
52wk Range	$62.36-123.33
Consensus 1yr Target	$119.27
Key Statistics	
Market Cap (M)	$6,655
Shares Outstanding (M)	$78.8
Institutional Ownership	75.3%
Beta	1.43
Dividend Yield	N/A
Est. 5yr Growth	-37.1%
Price/Earnings (TTM)	224.8x
Price/Earnings (FY1)	16.7x
Price/Sales (TTM)	0.6x
Price/Book (mrq)	2.5x
Profitability	
Operating Margin	2.07%
Profit Margin	0.34%
Return on Assets (TTM)	1.70%
Return on Equity (TTM)	1.26%

Investment Thesis

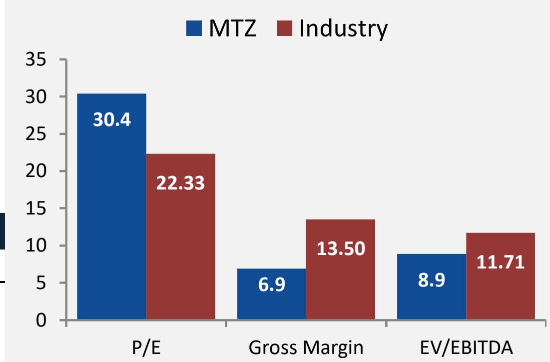
The Henry Fund is giving MasTec (MTZ) a **buy** rating with a 9.86% upside over the next year. We believe that the company is well positioned to capitalize on the need for high-speed internet, connectivity, broadband and data transmission due to the push towards high-technology societies and the implementation of AI in everyday life. Furthermore, there are strong opportunities for renewables advancement and carbon reduction systems.

Drivers of Thesis

- As the U.S. experiences a green transition, there is strong demand for solar, wind, and geothermal energy production. This will require new infrastructure to store and accommodate new supplies, driving our forecasted 35% growth in the Clean Energy & Infrastructure segment.
- The movement towards electric vehicles will, similarly, require new technology and systems to accommodate the increased demand for public and in-home charging stations.
- Strong desire for highspeed connectivity in rural areas, requiring new or updated connectivity. Additionally, the push for "Smart Cities" will enhance the requirements.

Risks to Thesis

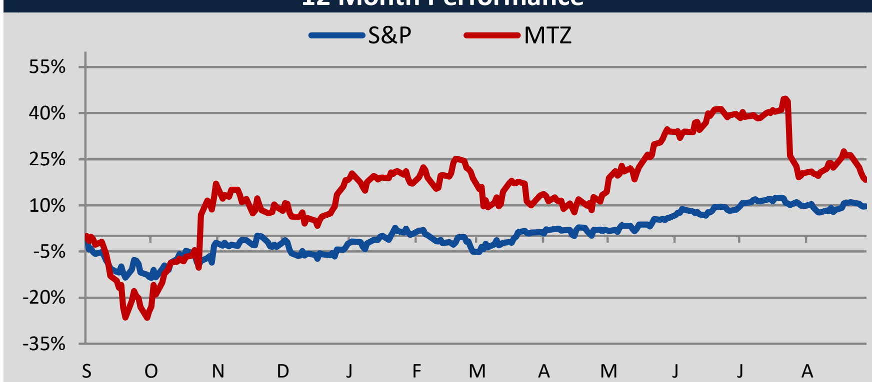
- The Henry Fund currently forecasts that the probability of a recession is 66% in the next 6 months. If the economy were to enter a recession or interest rates remained elevated, companies may delay or cancel large projects, hurting cash flow and shrinking their backlog.



Earnings Estimates

Year	2019	2020	2021	2022	2023E	2024E
EPS	$5.22	$4.43	$4.54	$0.45	$4.19	$5.52
HF est.					$4.96	$7.97
Growth	*58.18%*	*-15.13%*	*2.48%*	*-90.09%*	*831.11%*	*31.74%*

12 Month Performance



Company Description

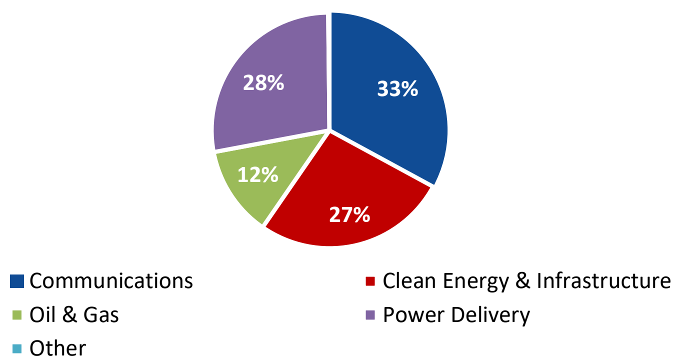
MasTec is a leading infrastructure construction company focusing on five main reportable segments: Communications, Clean Energy and Infrastructure, Oil and Gas, Power Delivery and Other. Primary operations include engineering, building, installation, maintenance and upgrade of communications, energy, utility, and other infrastructure. The other segment includes power delivery services, wireline/fiber activities, power generation, pipeline distribution, Heavy civil, infrastructure, and environmental remediation.

Important disclosures appear on the last page of this report.

COMPANY DESCRIPTION

MasTec is a leading infrastructure construction company focusing on five reportable segments: Communications, Clean Energy & Infrastructure, Oil & Gas, Power Delivery and Other. Primary operations include engineering, building, installation, maintenance and communications upgrades, energy, utility, and other infrastructure. Other includes power delivery services, wireline/fiber activities, power generation, pipeline distribution, heavy civil, infrastructure, and environmental remediation projects.[1]

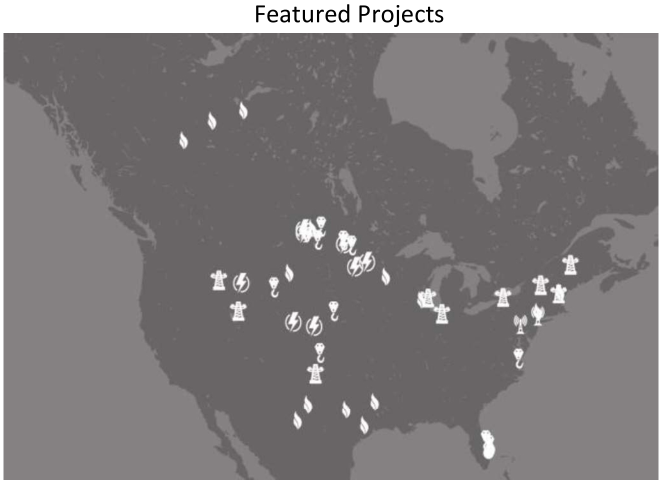
2022 Revenue



Source: MasTec 10-K

MasTec operates throughout North America, primarily in the United States, with approximately 800 locations with 32,000 employees. Of the company's total revenue, only 2% comes from foreign operations, which include primarily Canada, and also Mexico. Below is a map featuring prior successfully completed projects that the company highlights on the website.[1]

Featured Projects



Source: MasTec

The company's services are offered under the MasTec name and other service marks to a diverse customer base. Their services are mainly provided under master service and other service agreements that typically span multiple years. Alternatively, other contracts are generated for specific projects requiring complete construction or installation of entire infrastructure systems or a specified segment of a system. The company is driving growth and diversification through both organically and with the use of acquisitions and strategic arrangements.

Communications

The Communication segment is Mastec's largest segment accounting for $3,233.7 million or over 33% of total consolidated revenue. From the prior year, this segment grew by 27% driven partially by acquisitions that contributed $151 million of increased revenue and organic growth that accounted for $531 million, or 21% of total growth. In the model, the Henry Fund believes that this organic growth will continue to support revenue generation. In 2023, we anticipate that the Communications segment will grow by 25% due to increased private investment in telecommunications infrastructure.[7] Continual upgrades and maintenance are needed to support the rapid growth in the usage of streaming and smart technologies, artificial intelligence, and advanced data services. This trend will continue in the future, which supports our forecast of 20% growth in 2024, and 15% in 2025.[7] Eventually, we forecast that this growth will slow down to 5.50%, which aligns with the U.S. wire and cable market growth over this time frame before dropping off to 2%. Furthermore, beyond developing existing infrastructure, MasTec is well positioned to bring these technologies, and 5G wireless broadband connectivity to rural America for the first time.[1]

Power Delivery

The Power Delivery segment, which is MasTec's second largest segment focuses on electrical transmission and distribution infrastructure also known as "the power grid". The grid supplies electricity to homes and businesses from electric generation facilities by transmitting energy to high voltage transmissions lines to substations and finally to distributions lines. In 2022, revenue for this segment was $2,725 million, which is a 168% growth YOY. Acquisitions supported this entire revenue expansion as organic growth decreased 7% from 2021 due to project timing and project activity. The Henry Fund anticipates that this segment will increase 30% YOY. [7] We anticipate that MasTec will continue to look for acquisitions to grow the segment; however, there is strong demand stemming from the need to secure the grid and harden it against man made and natural disasters.[1] MasTec will be able to capitalize on the need for significant maintenance and expansion to ensure that the population is able to receive reliable and affordable power supply.

Furthermore, there will need to be expanded capabilities due to new sources of electrical generation such as wind and solar. These projects are typically located in more rural areas away from where the produced electricity is needed. This new source of energy will require updated storage capacity and infrastructure.

Clean Energy Infrastructure

The Clean Energy Infrastructure segment is the third largest segment with $2,618.6 million in revenue in 2022, accounting for about 27% of MasTec's consolidated total. 62% of the $754 million revenue increase from the prior year has resulted from acquisition growth. The slight organic growth was driven by higher levels or project activity and mix. [1] In the model, the Henry Fund believes that this segment will grow by 35% in 2023 and 25% in 2024.[7] Forecasted growth rates are supported by the push for new environmental projects that the Inflation Reduction Act (IRA) has incentivized. Thes IRA incentives span through 2031, which is why growth tapers down to 2% as the incentives for these investments near the end. The company forecasts that this segment will expand to account for 40% of the total revenue over the next several years. We feel that with the Inflation Reduction Act incentivizing clean energy projects through at least 2025, MasTec is well positioned to help companies establish the infrastructure needed for these projects.[1] Additionally, we believe that there is a chance that the IRA will extend these incentives beyond 2025.

Oil and Gas

MasTec's oil and gas segment includes construction and maintenance services for pipeline distribution for natural gas pipelines, carbon capture sequestration, water pipelines and pipeline integrity services, which includes replacement and rehabilitation of aging infrastructure for the energy and utilities industries. Oil and Gas is the smallest segment accounting for $1,219.6 million in total revenue in 2022, representing a 52% decrease from the prior year. The overall organic decrease of 69% was netted against increased revenue from acquisitions that occurred over the year. The decline was driven by fewer new large-scale oil and gas infrastructure projects, which could be attributed to the decline in oil prices since the peak of $123 in March of 2022. [1] Since then, oil prices have declined overall, but recently have crept back up to around $87 for WTI crude spot prices. While this is below the recent peak, it is significantly elevated compared to the historical average price per barrel. The recent production cuts in OPEC+ countries like Saudi Arabi and Russia are helping keep the prices elevated, which could help this segment in the short term if companies are still looking to expand their production infrastructure while prices are elevated. Because of this, we expect this segment to grow 10% in 2024, decline to 3% and then increase again to 8% in 2026 and 2027. While oil prices are not anticipated to remain as strong as they were in 2022 and 2023, oil and gas companies will be able to continue capital investments due to the strengthened balance sheets.

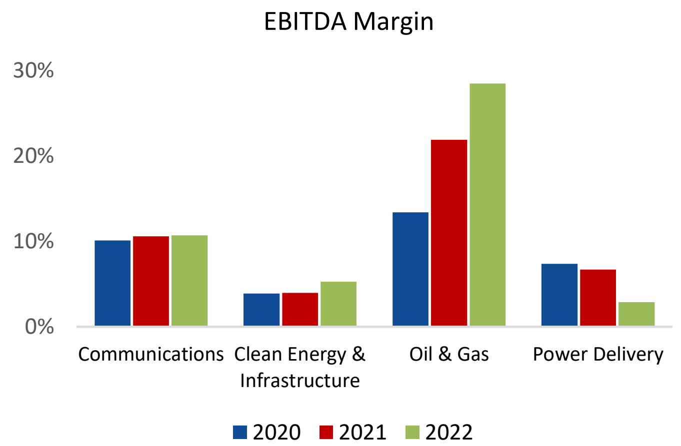
Other

MasTec's Other segment is a very small segment that is used to group certain equity investors, the services that do not fit in the other broad reportable segments, and other small business unites that perform construction and other services for certain international end markets. In 2022, there was no revenue from this segment. In 2021, Other accounted for $0.0 million. Furthermore, because of this we forecasted that there will be no revenue stemming from this segment moving forward. [1]

Cost Structure Analysis

MasTec's overall EBITDA margin is 8.47% and can be further analyzed by each segment. The main costs impacting the business are salaries, employee incentives and benefits, subcontracted services, equipment and facility rentals, repairs, dule and other equipment expenses, materials costs, parts, supplies and insurance expenses, which have all been adversely impacted by the inflationary market. MasTec's cost of revenue excluding depreciation and amortization increased 26% from 2021 to 2022. Most of this was attributable to higher levels of revenue, but a small portion was due to lower levels of productivity. A key driver for the change in the cost of revenue is a factor in the segment revenue mix. In 2022, less revenue was derived from the Oil and Gas segment, which has the highest EBITDA margin. Acquisitions and integration costs have also impacted MasTec's expenses. [1]

The Oil and Gas segment can convert 13.41% of its revenue into operating profit, giving it the highest EBITDA margin. The EBITDA margin of the Communications segment is 10.12%, which is the second highest slightly behind Oil and Gas. The Power Delivery segment's margin is 7.45% and, finally, the Clean Energy segment has the lowest EBITDA margin at 3.93%. As renewable energy technology has progressed, the manufacturing cost of wind turbines and solar panels has decreased in recent years and is expected to continue to decline in the future. [1] Overall, we forecast that the cost of goods sold will be 85.60% over the forecast period. However, recent supply chain disruptions have resulted in increased costs for some of the materials necessary for solar projects which could impact the ability to complete them in the short term.



Source: MasTec 10-K

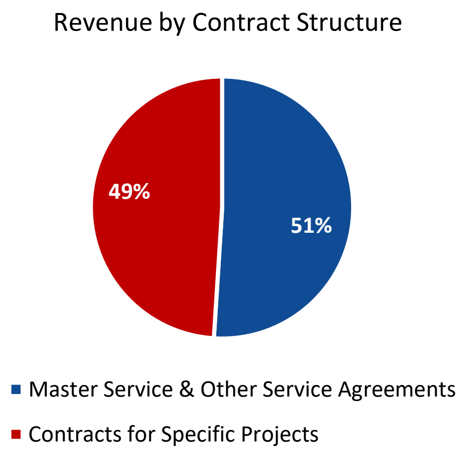
In some cases, MasTec may agree to include all, or part of the materials required for the project, which would lower the overall margin since material margins are lower than labor margins. However, MasTec typically requires that their customers supply their own materials for the projects which help eliminate price risk associated with these items. [1]

Based on the fixed price master service and other service agreements that are used for a significant portion of the company's revenue, MasTec sets the price of their service based on a per unit or aggregate basis. Therefore, the company bears the risk of mispricing the job and may underestimate costs associated with the project. [1] Part of the company's profitability hinges on their ability to accurately judge the required cost to complete a project. Occasionally, the company needs to bring claims against project owners to adjust for costs that exceeded the contract price or for costs that were not included. [1] The company could face a reduction in profit if they are unable to document and prove order changes or claims realized from events such as owner-caused delays or deviation from the initially proposed project scope.

Additional Company Analysis

Contract Structure

MasTec generally utilizes master service and other service agreements that usually cover multiple years. In 2022, revenue from these types of agreements consisted of 51% of total consolidated revenue compared to 36% in 2020. This type of contract provides various service options in a specific geographic region. These services then can be utilized on an as needed basis and are priced using either a time and materials or a fixed price per unit basis. The remaining contracts are contracts for specific projects that require the installation and construction of an entire infrastructure system or specified segment within that system. These contracts are subject to fixed pricing, unit pricing or cost-plus markup options. [1]



Source: MasTec 10-K

These master service agreement orders range from services such as engineering, project management and installation to maintenance and service upgrades. Master service agreements are typically exclusive to a specific amount for each work order in a specific location. These types of contracts are frequently awarded based on competitive bids but will sometimes get contract extensions without a rebidding process. The increase in revenue from these contracts may provide some stability for the company as they guarantee business over a certain number of years for the company. [1] Additionally, it shows their competitive strength if they can outbid other service providers. Overall, we believe that MasTec will be able to structure more business as a long-term service agreement as more major projects come on-line with support from the IRA.

Employee Model

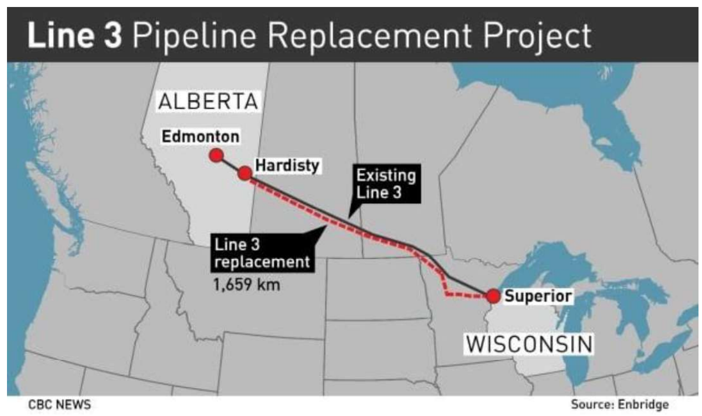
In 2022, MasTec had an average of 30,000 employees, with about 23% being represented by unions or were subject to collective bargaining agreements. While these collective bargaining agreements prohibit strikes and work stoppages, the company cannot be certain that this will not occur despite the prevailing agreement terms. [1] A work stoppage could negatively impact MasTec and could cause them to lose business. These stoppages are not only costly to MasTec, but also can have significant liquidity impacts for the customer that MasTec is serving. As union contracts expire, there is the risk that new agreements may not be reached, and strikes may occur. Additionally, this employment model requires the company to participate in multi-employer pensions plans. As of December 2022, some of the multiemployer pension plans that MasTec participates in are underfunded. Because of this, the company may have to increase their contribution if the IRS imposes a non-deductible excise tax of 5% of the amount of the accumulated funding deficiency. Additionally, there are further liabilities in the event of a complete or partial withdrawal from, or upon termination of an underfunded U.S.-registered multiemployer pension plan. The number of union employees at any given time and the plan they participate in depends on the location and number of ongoing projects and the need for union resources in connection with those projects. Below are the dollar amount contributions in millions. [1]

Plan	Covered Employees (low)	Covered Employees (high)	Pension	Other	Total
2022	6,601	7,136	89.0	56.3	145.3
2021	2,412	6,979	94.0	34.1	128.1
2020	1,119	2,412	30.0	7.5	37.5

Source: MasTec 10-K

Significant Customers

During the last fiscal year, MasTec has had a well-diversified customer base with no customer accounting for greater than 10% of the total consolidated revenue. However, this has not always historically been the case for the company as 16% of total revenue was from Enbridge, Inc. in 2021. Enbridge is an energy delivery company in North America that focuses on liquids pipelines, natural gas pipelines, gas utilities and storage and renewable energy.[3] MasTec has had various pipeline construction contracts with Enbridge, which are reported in the company's Oil and Gas segments. In 2021, MasTec supported Enbridge's Line 3 Replacement Project, which replaced the previous Line 3 that had become corroded and cracked and required substantial maintenance. The $2.9-billion U.S. portion of the Line 3 Replacement Program, known as the Line 3 Replacement Project, consists of replacing existing 34-inch pipe with new 36-inch pipe for 13 miles in North Dakota, 337 miles in Minnesota, and 14 miles in Wisconsin.[3]



Source: Enbridge

AT&T represented 15% of total revenue in 2020 based on multiple separate master service and other agreements. These contracts covered installation and maintenance services for wireless, wireline/fiber and other initiatives. Revenue from these contracts with AT&T was reported in the Communications segment. [1]

Leases

To provide their services, MasTec enters into agreements that provide financing for machinery and equipment. As of December 31, 2022, the company's leases have remaining terms of up to 16 years and can be renewed if elected, extending the terms for one to five years for both equipment and facility leases. The following table shows

MasTec's current leases and the contractual payment obligations. The combined value of the leases represents approximately 53% of total contractual payments, which includes obligations from senior notes and term loans that the company will have to pay over the next year. [1]

	<1 Year	1-3 Years	3-5 Years	>5 Years	Total
Finance Lease	$163.1	$207.0	$40.8	$3.6	$414.5
Operating Lease	$102.0	$132.0	$51.8	$31.9	$317.7

Source: MasTec 10-K

Strategy

MasTec has 4 main key elements that encompass their business strategy: Focus on Growth Opportunities, Operational Excellence, Effective Capital Structure Management and Leverage Core Performance and Expertise through Strategic Acquisitions.

The first element, Focus on Growth Opportunities, hinges on the idea that MasTec anticipates spend growth by the customers they serve. The company plans to use their geographic presence, technical ability, and resources to benefit from these trends. This strategy can be seen through the company's recent acquisitions over the past year that will help drive company growth and meet the infrastructure expansion demands.

Next, MasTec aims to appropriately manage their profit margins and cash flows through their Operational Excellence strategy. The company seeks to identify leverage opportunities to enhance utilization and effectiveness. The company does this by deploying resources across multiple customers and projects. This element also entails managing information systems and human capital to be as efficient as possible.

Effective Capital Structure Management has allowed the company to achieve an investment grade credit rating in 2021, which has been maintained even as the company has increased its leverage in the prior year to finance acquisitions. The company feels that they have sufficient resources to maintain this rating. As of 2022 year-end, MasTec has $861 million in borrowing available from is revolving credit facility, with aggregate borrowing commitments of approximately $2.3 billion under the senior unsecured credit facility.

Finally, the key element of Leverage Core Performance and Expertise through Strategic Acquisitions has focused MasTec on identifying and pursuing strategic investments that allow them to reach a broader market. [1]

Competitive Strength

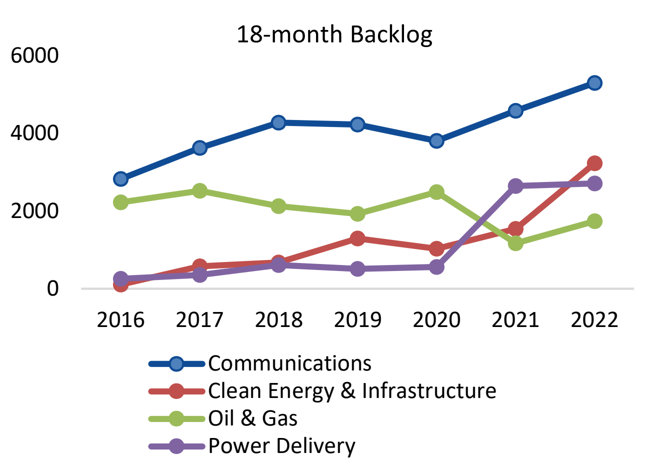
MasTec has a diverse customer base, which includes some of the largest communications and energy companies in North America. These proven relationships have helped the company to be recognized as the preferred vendor for their customers. Furthermore, MasTec has a reputation with these customers for providing high quality customer care in addition to a wide pool of services. This broad base ensures that MasTec's revenue is not overly concentrated or dependent on one customer.

While MasTec primarily operates in the Unites States and Canada, they have a widespread footprint, making their services accessible across the nation and providences. The company has been in service for 90, which means that there is generational expertise, giving them a strong advantage when pricing jobs and identifying project costs.

MasTec can respond quickly to change by strategically deploying their employees and assets where they are needed to maximize efficiency. The company has a proven track record with large-scale projects in varying geographic locations to meet their customers' demands. Being able to promptly recognize market, industry and technological changes will allow the company to grow and be prepared to take on new opportunities that we are seeing in green technology and connected communities. [1]

Backlog

The company's backlog entails the revenue that it expects to realize over the next 18 months from future work on uncompleted contracts including new contracts where work has not begun and revenue from change orders and renewal options. The backlog is determined based on historical trends, anticipated seasonal impacts and based on insights from comparable prior projects. Based on current expectations, the company forecast that they will realize approximately 75% of the estimate year-end 2022 backlog in 2023. [1] The healthy backlog shows that the company has excess demand beyond its capacity in 2022 that it can still realize.



Source: MasTec 10-K

After dividing MasTec's 2022 backlog by 2022 revenue, we can estimate that the company has 1.33 years' worth of projects left to be completed. [1] When applying this methodology to prior years, we see that 2022 has slightly more years worth of backlogged projects than in 2021.

Debt Maturity Analysis

MasTec has $600 million in aggregate principal amount of 4.50% senior unsecure notes due August 15, 2028. The interest payments are due semiannually in arears on February 15th and August 15th of each year.

The $300 million aggregate principal 6.625% Senior Notes were assumed after the consummation of the October 2022 acquisition of IEA Energy Services. These unsecure notes mature on August 15, 2029. On or after August 15, 2024, the IEA Senior Notes can be redeemed at any time by the IEA Issuer at specified redemption prices, expressed as percentages of principal amount, of 103.3% declining over a two-year period to 100%.[1]

MasTec's credit facility requires that the company maintain a maximum consolidated leverage ratio of no more than 3.50 as of the end of any fiscal quarter. If a permitted acquisition has consideration exceeding $100 million during the first quarter, the leverage ratio may temporarily be increased up to 4.00 during that fiscal quarter. Such rights may be exercised no more than two times during the term of the Credit Facility. However, the company is targeting a leverage ratio of 2x, which they are on track to meet for year end. The balance sheet currently shows $900 million in liquidity, which ensures that they will be able to meet their debt obligations over the next few years. [1]

Fiscal Year	Payment ($mil)
2023	$171.9
2024	144.2
2025	519.1
2026	1,274.1
Thereafter	884.8
Total	$3,241.7

Source: MasTec 10-K

According to S&P Rating, MasTec currently has a BBB- rating and has been at this level through 2022 as well. When looking at the $171.9 due in 2023, MasTec has the cash to cover these payments. Based on our forecasts, MasTec should be able to meet these payment obligations. However, it is important to note that MasTec does have a lower rating compared to some of its peers.

Company	Debt Rating
MasTec	BBB-
Dycom Industries	BB
ChampionX	BB+
MYR Group	N/A
Jacobs Solutions	BBB-

Source: FactSet

ESG Analysis

MasTec strives to be operate in a safe, inclusive, and responsible manner to benefit all of their stakeholders.

The company believes that sustainability is a core aspect of their mission and is guided by the Sustainability Accounting Standard Board for the Engineering and Construction Services Industry and the Task Force on Climate-Related Disclosures.

With its services in renewable energy infrastructure, MasTec is helping the Nation achieve its sustainability goals through their expertise in wind, solar, biofuels, waste-to-energy and biogas, cogeneration or combined heat and power projects, gas and hydrogen-fired power projects and battery storage

Transporting oil and gas products reduces carbon emissions compared to rail or truck and represents the recent trend of decarbonization and emission reduction sought by both corporations and governments. This demand will lead to the development of more carbon capture technology, biofuel generation and electricity generation using environmentally friendly hydrogen fuel.

As the market demands these sustainable solutions, MasTec will capitalize on the need for new, advanced systems.

To quantify MasTec's own, direct impact, the company is evaluating technology that will allow them to measure and manage their climate-related matters such as greenhouse gas emissions. So far, the company has implemented GPS, smart idling, and other technology in 80% of their fleet operation to help manage fuel usage and efficiency.[1] According to Sustainalytics, MasTec is "High Risk" in terms of their ESG rating. This is in part due to the nature of the construction industry.

Source: Sustainalytics

As shown in the table below, peers also have a similar ESG rating compared to MasTec based on Sustainalytics.

Company	ESG Score	Rating
MasTec	36.3	High Risk
Dycom Industries	37.4	High Risk
ChampionX	23.3	Medium Risk
MYR Group	33.5	High Risk
Jacobs Solutions	23.1	Medium Risk

Source: Sustainalytics

RECENT DEVELOPMENTS

Recent Earnings Announcement

On August 3, 2023, MasTec reported their second quarter 2023 financial results with updated guidance for the year. The company reported that in the second quarter revenue increased 25% over the same quarter last year to $2.9 billion. The results also included GAAP Net Income of $16.8 million. Adjusted diluted earnings per share were $0.89 and were $0.03 higher than expectations. This growth is attributed to strong financial performance over the comparable period last year in addition to the impact of the acquisition of Infrastructure and Energy Alternatives (IEA). The updated guidance for the full year has been revised from $12.7 billion to $13.0 billion in revenue, GAPP Net Income of $111 million to $141 million. Earnings per share were revised down from $4.35-$4.85 per share to $3.75-$4.19 per share. Jose Mas, MasTec's CEO, noted that all segments had improved margins this quarter compared to the comparable quarter last year, but noted that as margins improved, there was also tighter management of CAPEX by several customers.

Compared to guidance, the Henry Fund forecasts slightly optimistic earnings of $4.95 per share. While our revenue forecast is in line with management expectations, we forecast better margins. [7]

COVID-19 Impact

During the COVID-19 pandemic all companies faced unprecedent challenges. MasTec prioritized the safety of its employees during this time to ensure that they stayed safe and healthy. Benefits and other programs were expanded during the pandemic to assist with medical and mental health.

An additional challenge faced by MasTec due to its operations was the impacts COVID-19 had on the oil and gas markets. While this market experiences regular volatility, the pandemic created a period with overall less oil demand as people stayed home and most travel was limited. These types of market disruptions and volatility can impact projects and lead to delays or cancellations.

Finally, since the pandemic, there have been supply chain disruptions that have impacted numerous industries. We now believe that these disruptions are easing; however, may still pose a threat or potential delays due to backlogs and other challenges. [1]

Recent Mergers and Acquisitions

On October 7, 2022, MasTec completed the acquisition of Infrastructure and Energy Alternatives, Inc. IEA is one of the largest utility-scale renewable energy infrastructure solution providers in North America. Jose Mas believes that this acquisition will allow the company to expand their construction and maintenance capacity in the country as we move towards a carbon-neutral economy.[6] While MasTec has completed 30 acquisitions, including four over the last five years, the largest was the acquisition of IEA, which was purchased for $1.1 billion.[9]

INDUSTRY TRENDS

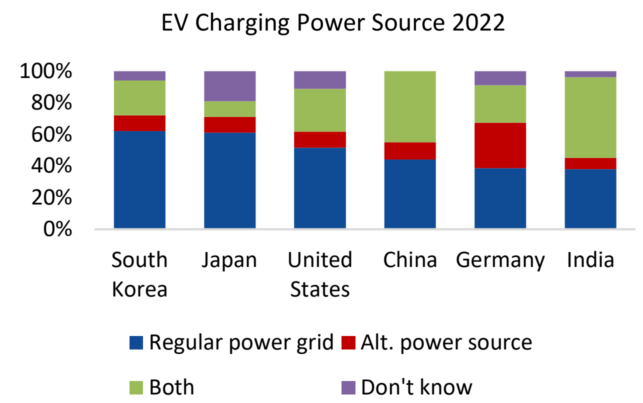
Smart Cities

There is a new concept coined "Smart Cities", "Smart Homes" and even "Smart Farming", which provides business and homes with real-time visibility, insights, and controls over products and services. In order to function, cities use the Internet of Things, artificial intelligence and cloud storage to efficiently manage and operate city resources. Examples of this technology includes things like Wi-Fi kiosks, smart lighting solutions, utility meters, smart traffic management systems, video sensors and weather sensors, drone sensor for public safety and radio frequency identification sensors in the pavement. This technology is possible from the development of increased data speeds and capabilities. However, to extend this full scale into society, it will require the enhancement of current systems and may foster the expansion into rural areas as well. Similarly, the idea of Smart Homes allows the public to implement similar technologies into their home with connected cameras, video doorbells, security systems and other features such as lighting and energy management and entertainment controls. [1]

Deloitte Insights notes that by 2023, the world's top 600 cities are expected to account for 60% of global GDP, yet this growth can strain the environment and the people in it. Explosive growth pressures the resources in each area, but it can be managed through smart actions and decisions, which is the main driver behind Smart Cities.[10]

Electric Vehicles

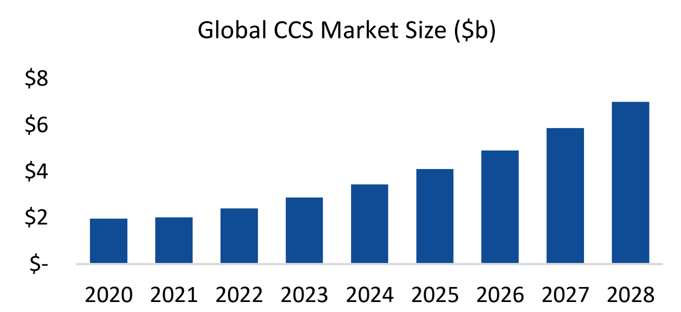
Another trend that will alter the energy demand is the usage of electric vehicles and the need for charging stations. [1] Currently there is a higher concentration of EVs in cities and urban areas. These locations will experience a significant increase in local peak loads as a single EV can easily double peak consumption at the individual-household level. Since most people will charge their EV at a similar point in the day, unmanaged substations will eventually push local transformers beyond their capacity, which will require upgrades.[4] As shown in the chart below, consumers indicated the source of charging for EVs, and over 51% of people in the United States claim they were only going to utilize the regular power grid, with other using a mix of alternative power sources like solar and the regular grid. Even if only half of the EVs are charged on the regular grid, there could be infrastructure limitations in highly populated areas.



Source: Deloitte

Carbon Capture

Carbon Capture, Utilization and Storage captures the CO2 generated from industrial facilities that use fossil fuels in their production. Rather than release this greenhouse gas into the atmosphere, it can be utilized by the plant, transported elsewhere or stored underground. Currently, in the United States, CO2 utilization routes can benefit from the 45Q tax credit, which is valued at $60 per ton of CO2, providing that emission reductions are verified. In 2023, the Clean Fuels and Products Shot aims to reduce emission in chemical and fuel industry by 85% by 2035. These types of programs are accelerating the adoption of this technology, which MasTec can construct and develop for its customers.[5]



Source: Fortune Business Insights

The chart above shows the rapid growth in the global CCS market, while MasTec will not serve the global market, there will be plenty of opportunity throughout its North American reach. Furthermore, we believe the incentive programs are going to drive growth and rapid expansion in the 10 years while the program is running; however, MasTec's services will be needed to maintain and repair the established infrastructure built because of benefits from the Inflation Reduction Act.

MARKETS AND COMPETITION

Competitive Rivalry

The Infrastructure Construction industry is highly fragmented. According to IBIS World Wireless Tower Construction in the US report, MasTec accounts for 7.6% of the market share by revenue, Dycom Industries makes up 12.3% and other companies account for the other 80.1% of the market share.[11]

Supplier Power

When dealing with construction infrastructure, there are oftentimes many items that may have long lead times to provide. Contractors typically have long-term agreements with suppliers, which can make it difficult to switch providers, especially if only one party is able to produce that item needed for the projects. [11]

Buyer Power

In this industry, prior relationships can have a substantial impact on contract awards. Customers seek companies that have a reliable reputation and provide exceptional customer service. [11]

Threat of Substitution

Some of MasTec's segments face a higher risk of substitution than others. For example, oil and gas construction activity could slow if the transition away from fossil fuels accelerates in the coming year. However, losses could be offset by gains in the Clean Energy Infrastructure segment. Additionally, wireless communication towers could face pressure from satellite telecommunication providers. While wireless towers traditionally offer higher bandwidth and lower latency at more affordable prices, SpaceX's Starlink has invested into improving this technology. [11]

Threat of New Entry

Barriers to entry are moderate, however, they are trending higher. There are multiple challenges limiting the number of companies breaking into this industry. These challenges include legal obstacles, high start-up costs, differentiation, and intense labor requirements. [11]

When building wireless towers, there is regulation from the Federal Communication Commission, Federal Aviation Administration and Occupational Safety and Health Administration. Starting a company also is very capital intensive as it requires equipment and infrastructure, licensing and permitting along with skilled employees who understand the engineering behind these towers.[1]

Peer Comparisons

Along with the construction infrastructure industry being highly fragmented, MasTec also performs a wide array of services giving them a unique peer group.

Dycom Industries

Dycom Industries is a leading provider of specialty contracting services to the telecommunications infrastructure and utility industry focused on the United States. While Dycom offers similar engineering, construction, maintenance, and installation services as MasTec, there was a noticeable lack of interest in new growth surrounding renewable infrastructure projects. We believe this is a strong area of differentiation from this company and will also provide MasTec with a unique position to capitalize on this new growth earlier and faster.

Dycom has more than 40 operating companies that serve customers across 49 states. On an employee basis, MasTec has over 2x the number of employees. Dycom is highly concentrated in their customer base with the top 5 customers accounting for 66.7% of total contract revenue. Approximately 25.2% of the company's total contract revenues are from AT&T Inc., 12.7% from Lumen Technologies Inc., 11.3% from Comcast Corporation, 9.1% from Verizon Communications, Inc., and 8.5% from Frontier Communications Corporation. In 2020, AT&T accounted for 15% of MasTec's total revenue; however, this is the only overlap of customers based on what was noted by each Dycom and MasTec.

ChampionX

ChampionX is a company specializing in technologies focused on helping support companies in oil and gas production, transportation, and emission monitoring. This company is comparable to the oil and gas segment of MasTec as it does not offer any of the additional services.

MYR Group

MYR Group is a holding company of specialty construction service providers serving electric utility infrastructure, commercial and industrial construction markets throughout the United States and Canada. The company reports its revenue through two main segments: Transmission and Distribution and Commercial and Industrial.

Jacobs Solutions, Inc.

Jacobs provides full-service consultation, technical, engineering and project delivery for the government and private sectors. The company previously focused on innovation and continued transformation to build their positions as a leading provider but has pivoted to a new strategy centered around leadership on sustainable, high growth sectors. The identified targets have been Climate Response, Consulting and Advisory and Data Solutions.

ECONOMIC OUTLOOK

Real GDP Growth

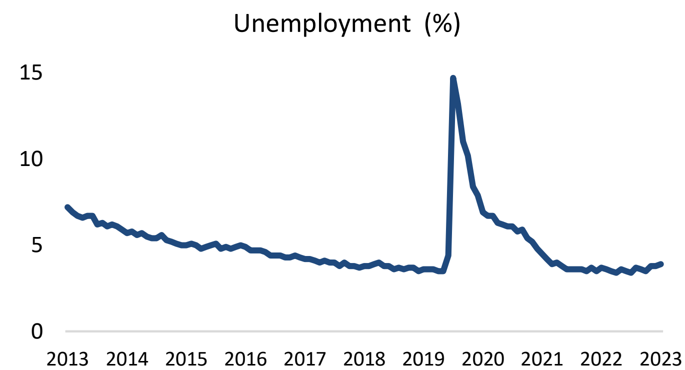
The current Henry Fund consensus for real GDP growth is 2.55%.[7] Economic growth will impact MasTec's operation as there will be stronger demand for upgrades to high technology systems in both homes and businesses which will further the need to develop internet speeds and broadband capacities. Furthermore, GDP growth will drive energy usage and will help boost the transition to clean, renewable energy systems, providing a new opportunity for MasTec.

Interest Rates

If interest rates remain elevated, there could be project cancellations or continued delays because financing is too expensive for companies to commit to these long-term, capital-intensive projects. Higher rates have also impacted the cost of borrowing for MasTec which would limit them from taking on more debt.

Unemployment Rate

The current unemployment rate in September 2023 is 3.8%. During periods of low unemployment, business may have to increase wages to attract and retain skilled labor. The Henry Fund believes that unemployment rates will be 4.05% in the next 6 months and will then drop to 3.97% over the next two years.



Source: Federal Reserve Bank of St. Louis

VALUATION

Revenue Growth

The Henry Fund forecasts that the highest revenue growth will stem from growth in the Clean Energy & Infrastructure segment with a 35% increase YOY. [7] This aligns with company guidance that this segment will significantly expand and obtain a larger share of the company's total revenue. In the 3 months ended June 20, 2023, revenue in this segment increased 96% with the acquisition of IEA contributing all of the growth. We are forecasting that this strategic acquisition will continue to drive growth in this segment in addition with the push for an accelerated clean energy transition from the public and governments.

Overall, we anticipate consolidated revenue to grow 27.25% YOY compared to 22.97% in 2021 and 25.80% in 2020. We feel that this growth is in line with recent historical rates while also representing additional growth.

Cost of Operations

We forecast the cost of revenue for MasTec will decrease compared to last year and return to levels closer to recent historical averages. This is in part due to easing supply chain disruptions and slightly lower commodity prices.

Earnings Estimates

Our earnings per share estimates are higher than FactSet consensus in 2023 and 2024. We are forecasting higher overall growth rates primarily stemming from expected growth in Clean Energy and Infrastructure. [7]

Capital Expenditures

We forecast MasTec's capital expenditures to increase at a rate consistent with the historical average and the inflation rate over the forecast period. Last year MasTec had a 55% increase in CAPEX, which could be due in part to recent acquisitions. To maintain current levels of net property, plant, and equipment. MasTec has to invest a substantial amount into CAPEX because of the high levels of depreciation. [7]

WACC Assumptions

To calculate our Weighted Average Cost of Capital (WACC) we used the assumptions below. Using these, we found a WACC of 8.47% for MasTec. [7]

Risk Free Rate: The risk-free rate of 4.18% is from the yield of a 10-year U.S. Treasury Note as of September 1, 2023.

Beta: The beta used in the model for MasTec was found using the FactSet adjusted 90-day beta. [7]

Equity Risk Premium: The equity risk premium used in the report is 5.00%. This is the Henry Fund's consensus estimate. [7]

Pre-Tax Cost of Debt: The pre-tax cost of debt for MasTec is from the yield of a 6.63% coupon bond maturing in July 2029. [7]

Tax Rate: We used an implied marginal tax rate of 26.54% based on MasTec's historical average. [7]

DCF Valuation Model

Our Discounted Cash Flow (DCF) and Economic Profit (EP) model represented an implied price per share of $100 per share, which represents an upside of 9%. We utilized this value as the high end for our estimated valuation range. [7]

DDM Valuation Model

The Dividend Discount Model derives an implied price based on the discounted value of forecasted futures dividends. This model resulted in a share price of $70 per share, which we utilized as our lower bound for the forecasted one-year target range. This model returns a much lower share price because MTZ does not pay a dividend. [7]

Relative Valuation Model

Our Relative Valuation Model is based on multiples from the selected peer group described earlier in the report. This generated an implied share price of $100 per share using 2023 EPS.[7]

KEYS TO MONITOR

Overall MasTec has a strong business model with plenty of opportunities for growth due to their acquisition history, incentives for large scale infrastructure projects and the movement towards clean energy. However, there a few key items to monitor that could impact MasTec's performance:

- **Interest Rates:** Rising interest rates could continue to delay project timeline and large capital investments across all MasTec's segments. Widespread delays could impact the company's cash flow and ability to meet its obligations. Increased rates could also negatively impact MTZ's valuation.
- **Supply Chain Impacts**: Even if rates fall and there is a strong demand for these projects, MasTec could be unable to provide their services if they are not able to obtain the materials needed to complete the project.
- **Employment:** Because MasTec utilizes some union labor, there is the risk that contract renegotiation may fall through once these terms are up for renewal. If the company cannot economically obtain skilled labor, this may negatively impact the company's ability to generate revenue. Furthermore, there is the risk of increased taxes and liabilities to meet the underfunded pension requirements.

Overall, the Henry Fund has placed a buy rating on MTZ with a target share price of $91-$100 per share.

REFERENCES

1. MasTec 10-K
2. IBIS World
3. Enbridge
4. McKinsey & Company
5. IEA
6. MasTec 10-Q
7. Henry Fund Model
8. Sustainalytics
9. Mergr
10. Deloitte

11. IBIS World Industry Report

DISCLAIMER

MasTec

Revenue Decomposition

Fiscal Years Ending Dec. 31	2020	2021	2022	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E
Communications	2,512.2	2,551.1	3,233.7	4,042.1	4,850.6	5,578.1	6,135.9	6,626.8	6,991.3	7,375.8	7,744.6	7,976.9	8,136.5
	-4.07%	1.55%	26.76%	25.00%	20.00%	15.00%	10.00%	8.00%	5.50%	5.50%	5.00%	3.00%	2.00%
Clean Energy & Infrastructure	1,526.9	1,865.0	2,618.6	3,535.1	4,418.9	5,302.7	6,098.1	6,829.8	7,512.8	8,113.8	8,519.5	8,945.5	9,124.4
	-51.02%	22.14%	40.41%	35.00%	25.00%	20.00%	15.00%	12.00%	10.00%	8.00%	5.00%	5.00%	2.00%
Oil and Gas	1,789.8	2,540.5	1,219.6	1,341.6	1,381.8	1,450.9	1,567.0	1,692.3	1,776.9	1,865.8	1,921.8	1,960.2	1,999.4
	332.42%	41.94%	-51.99%	10.00%	3.00%	5.00%	8.00%	8.00%	5.00%	5.00%	3.00%	2.00%	2.00%
Power Delivery	506.5	1,016.8	2,725.2	3,542.8	4,251.3	4,889.0	5,280.1	5,702.5	5,873.6	5,991.1	6,110.9	6,233.1	6,357.8
	-51.03%	100.75%	168.02%	30.00%	20.00%	15.00%	8.00%	8.00%	3.00%	2.00%	2.00%	2.00%	2.00%
Other	0.6	-	-	-	-	-	-	-	-	-	-	-	-
	200.00%												
Eliminations	(15.0)	(21.6)	(19.1)	(19.1)	(19.1)	(19.1)	(19.1)	(19.1)	(19.1)	(19.1)	(19.1)	(19.1)	(19.1)
	1150.00%	44.00%	-11.57%										
Consolidated revenue	6,321.0	7,951.8	9,778.0	12,442.5	14,883.5	17,201.6	19,062.0	20,832.4	22,135.6	23,327.4	24,277.7	25,096.7	25,599.0
	-12.00%	25.80%	22.97%	27.25%	19.62%	15.58%	10.82%	9.29%	6.26%	5.38%	4.07%	3.37%	2.00%

MasTec

Income Statement

Thousands

Fiscal Years Ending Dec. 31	2020	2021	2022	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E
Revenue	6,320,975	7,951,781	9,778,038	12,442,455	14,883,456	17,201,603	19,062,009	20,832,420	22,135,571	23,327,437	24,277,716	25,096,684	25,599,000
Costs of revenue, excluding depreciation & amortization	5,270,879	6,805,735	8,586,333	10,650,207	12,739,599	14,723,833	16,316,260	17,831,656	18,947,098	19,967,284	20,780,681	21,481,683	21,911,644
Depreciation	258,841	345,612	371,240	438,525	404,067	388,882	389,663	404,144	430,871	469,031	518,335	578,929	651,339
Amortization of intangible assets	38,910	77214	135,908	84,500	74,600	64,500	55,200	261,200	-	-	-	-	-
Goodwill & intangible asset impairment	-	-	-	-	-	-	-	-	-	-	-	-	-
General & administrative expenses	302,981	306,970	559,437	602,515	720,719	832,973	923,062	1,008,792	1,071,896	1,129,611	1,175,628	1,215,286	1,239,610
Operating Income/Loss	**449,364**	**416,250**	**125,120**	**666,708**	**944,472**	**1,191,415**	**1,377,824**	**1,326,627**	**1,685,707**	**1,761,511**	**1,803,072**	**1,820,787**	**1,796,407**
Interest expense, net	(59,629)	(53,413)	(112,255)	(213,597)	(199,271)	(213,481)	(228,725)	(242,446)	(252,213)	(282,073)	(295,935)	(309,302)	(322,991)
Equity in earnings (loss) of unconsolidated affiliates	29,738	33,830	28,836	47,706	57,065	65,953	73,086	79,874	84,870	89,440	93,083	96,223	98,149
Loss from Discontinued Operations	-	-	-	-	-	-	-	-	-	-	-	-	-
Loss on extinguishment of debt	(5,569)	-	-	-	-	-	-	-	-	-	-	-	-
Other income (expense), net	11,260	33,408	1,358	1,431	1,509	1,590	1,676	1,766	1,862	1,962	2,068	2,180	2,298
Income (loss) before income taxes	**425,164**	**430,075**	**43,059**	**502,247**	**803,774**	**1,045,477**	**1,223,860**	**1,165,821**	**1,520,225**	**1,570,840**	**1,602,289**	**1,609,888**	**1,573,863**
Provision for income taxes	(102,465)	(99,346)	(9,171)	**(133,296)**	**(213,321)**	**(277,470)**	**(324,813)**	**(309,409)**	**(403,468)**	**(416,901)**	**(425,247)**	**(427,264)**	**(417,703)**
Net income (loss)	322,699	330,729	33,888	368,951	590,452	768,008	899,048	856,412	1,116,758	1,153,939	1,177,041	1,182,624	1,156,159
Net income (loss) attributable to non-controlling interests	149	(1,898)	(534)	-	-	-	-	-	-	-	-	-	-
Net income (loss) attributable to MasTec, Inc.	**322,848**	**328,831**	**33,354**	**368,951**	**590,452**	**768,008**	**899,048**	**856,412**	**1,116,758**	**1,153,939**	**1,177,041**	**1,182,624**	**1,156,159**
Weighted average shares outstanding - basic	72,799	72,499	74,917	74,485	74,093	73,737	73,737	73,737	73,737	73,737	73,737	73,737	73,737
Net income (loss) per share - basic	4.43	4.54	0.45	4.95	7.97	10.42	12.19	11.61	15.15	15.65	15.96	16.04	15.68

MasTec

Balance Sheet

Thousands

Fiscal Years Ending Dec. 31	2020	2021	2022	2023E	2024E	2025E	2026E
Cash & cash equivalents	423,118	360,736	370,592	44,960	576,725	1,661,555	3,287,567
Accounts receivable, net	784,488	1,019,324	1,399,732	1,598,310	1,911,872	2,209,652	2,448,633
Contract assets	969,743	1,227,927	1,729,886	1,951,562	2,334,425	2,698,020	2,989,819
Inventories, net	89,645	92,595	117,969	157,154	187,985	217,264	240,762
Prepaid expenses	60,631	91,488	122,308	127,053	151,978	175,650	194,647
Other current assets	31,390	81,884	118,640	117,772	140,877	162,819	180,429
Total current assets	**2,359,015**	**2,873,954**	**3,859,127**	**3,996,811**	**5,303,863**	**7,124,960**	**9,341,856**
Property & equipment, net	982,328	1,436,087	1,754,101	1,616,268	1,555,527	1,558,652	1,616,577
Operating lease right-of-use assets	176,573	260,410	279,534	257,569	247,889	248,387	257,618
Goodwill, net	1,243,034	1,520,575	2,045,041	2,045,041	2,045,041	2,045,041	2,045,041
Other intangible assets, net	184,043	670,280	946,299	861,799	787,199	722,699	667,499
Other long-term assets	282,856	360,087	409,157	431,251	454,539	479,084	504,955
Total assets	**5,227,849**	**7,121,393**	**9,293,259**	**9,208,739**	**10,394,059**	**12,178,823**	**14,433,546**
Current portion of long-term debt, including finance leases	145,110	137,912	171,916	171,900	144,200	519,100	1,274,100
Current portion of operating lease liabilities	72,481	95,426	96,516	91,658	88,214	88,391	91,676
Accounts payable	571,269	663,063	1,109,867	539,454	645,285	745,791	826,450
Accrued salaries & wages	135,316	203,141	181,888	100,713	120,472	139,236	154,294
Other accrued expenses	187,647	229,936	365,971	398,285	476,422	550,626	610,178
Acquisition-related contingent consideration	-	-	-	-	-	-	-
Contract liabilities	228,388	313,965	406,232	478,639	572,540	661,715	733,281
Other current liabilities	74,988	141,155	163,647	176,564	211,203	244,099	270,499
Total current liabilities	**1,415,199**	**1,784,598**	**2,496,037**	**1,957,214**	**2,258,336**	**2,948,957**	**3,960,479**
Acquisition-related contingent consideration, net of current portion	-	-	-	-	-	-	-
Long-term debt, including finance leases	1,157,632	1,876,233	3,052,193	3,007,698	3,222,205	3,451,935	3,658,287
Long-term operating lease liabilities	116,506	176,378	194,050	174,089	167,547	167,883	174,122
Deferred income taxes	302,938	450,361	571,401	600,951	648,242	709,754	781,762
Other long-term liabilities	230,049	289,962	238,391	398,299	476,438	550,645	610,199
Total liabilities	**3,222,324**	**4,577,532**	**6,552,072**	**6,138,251**	**6,772,768**	**7,829,174**	**9,184,849**
Common stock	9,311	9,537	9,862	9,862	9,862	9,862	9,862
Capital surplus	837,453	1,033,615	1,246,590	1,246,590	1,246,590	1,246,590	1,246,590
Retained earnings (accumulated deficit)	1,833,557	2,162,388	2,195,742	2,564,693	3,155,145	3,923,153	4,822,201
Accumulated other comprehensive income (loss) - FX	(91,444)	(78,776)	(50,955)	(50,955)	(50,955)	(50,955)	(50,955)
Treasury stock	586,955	586,955	663,910	703,560	743,209	782,859	782,859
Contributed shares	-	-	-	-	-	-	-
Total MasTec, Inc. shareholders' equity (deficit)	2,001,922	2,539,809	2,737,329	3,066,630	3,617,433	4,345,791	5,244,839
Non-controlling interests	3,603	4,052	3,858	3,858	3,858	3,858	3,858
Total equity	**2,005,525**	**2,543,861**	**2,741,187**	**3,070,488**	**3,621,291**	**4,349,649**	**5,248,697**
Total Liabilities and Shareholder's Equity	**5,227,849**	**7,121,393**	**9,293,259**	**9,208,739**	**10,394,059**	**12,178,823**	**14,433,546**

MasTec

Historical Cash Flow Statement

Fiscal Years Ending Dec. 31	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**
Net income (loss)	141,216	115,549	(79,703)	134,035	348,884	259,231	394,096	322,699	330,729	33,888
Depreciation & amortization	140,928	154,452	169,662	164,915	188,049	212,930	235,482	258,841	422,826	507,148
Non-cash stock-based compensation expense	12,944	15,950	12,395	15,072	15,656	13,527	16,447	21,875	24,805	27,446
Provision for (benefit from) deferred income taxes	6,533	13,756	3,925	(3,935)	18,277	56,209	22,160	7,180	51,931	9,549
Equity in losses (earnings) of unconsolidated affiliates	-	-	-	-	(21,328)	(23,855)	(27,367)	(29,738)	(33,830)	(28,836)
Loss (gains) on sales of assets, net	(7,528)	(6,434)	(8,191)	1,957	(5,935)	(16,052)	(13,908)	(16,210)	(35,635)	(39,692)
Non-cash interest expense, net	10,717	7,355	2,633	2,994	3,100	2,584	3,219	2,988	3,171	4,172
Goodwill & intangible asset impairment	-	-	78,625	-	-	47,662	3,319	-	-	-
Excess tax benefit from stock-based compensation	(4,315)	(3,728)	(57)	(135)	-	-	-	-	-	-
Other non-cash items, net	-	5,955	1,537	4,835	7,222	8,910	(2,768)	21,775	(12,323)	4,743
Non-cash change in estimated fair value of acquisition-related contingent consideration	-	-	(20,073)	-	-	-	-	-	-	-
Provision for losses on operating assets	8,009	-	-	-	-	-	-	-	-	-
Provision for losses on construction projects, net	7,332	-	-	-	-	-	-	-	-	-
Loss on disposal & impairment charges, discontinued operations	6,036	-	-	-	-	-	-	-	-	-
Accounts receivable	(204,330)	163,773	362,275	(246,419)	(417,491)	(335,201)	113,061	87,372	149,152	6,298
Contract assets	-	-	-	-	-	-	-	63,306	49,295	(304,351)
Inventories	13,481	(12,621)	22,356	(22,232)	36,187	(29,366)	24,051	17,904	10,147	(20,523)
Other assets, current & long-term portion	6,246	(14,221)	(7,647)	41,093	(117,091)	28,709	10,180	20,486	(35,837)	68,603
Accounts payable & accrued expenses	72,514	(87,494)	(162,441)	66,078	54,342	251,735	(228,142)	94,069	(104,481)	192,119
Contract liabilities	(8,227)	(34,320)	(5,085)	12,131	46,075	28,411	(52,215)	21,326	10,603	(39,372)
Book overdrafts	6,363	9,911	4,699	4,069	(10,459)	-	-	-	-	-
Other liabilities, current & long-term portion	(7,517)	(4,872)	(7,497)	31,135	10,775	24,522	52,663	4,471	(37,479)	(68,895)
Net cash flows from operating activities	**200,402**	**323,011**	**367,413**	**205,593**	**156,263**	**529,956**	**550,278**	**937,254**	**793,074**	**352,297**
Cash paid for acquisitions, net of cash acquired	(148,567)	(345,543)	(148)	(4,102)	(115,995)	(6,684)	(179,481)	(24,971)	(1,244,603)	(635,763)
Proceeds from disposal of business, net of cash divested	(2,997)	-	-	-	-	-	-	-	-	-
Capital expenditures	(126,288)	(109,254)	(84,410)	(117,114)	(123,412)	(180,420)	(126,473)	(213,746)	(170,066)	(263,352)
Proceeds from sale of property & equipment	15,858	16,655	13,932	11,239	19,963	39,359	35,015	37,077	65,287	81,470
Payments for other investments	(16,173)	(1,120)	(127,480)	(32,169)	(77,105)	(39,469)	(5,589)	(17,456)	(9,996)	(3,981)
Proceeds from other investments	-	-	69,406	1,125	23,801	5,415	14,705	648	557	400
Proceeds from sale or redemptions of investments	14,956	-	-	-	-	-	-	-	-	-
Other investing activities, net	-	-	-	-	-	-	-	1,843	1,650	43
Net cash flows from investing activities	**(263,211)**	**(439,262)**	**(128,700)**	**(141,021)**	**(272,748)**	**(181,799)**	**(261,823)**	**(216,605)**	**(1,357,171)**	**(821,183)**
Proceeds from credit facilities	1,149,040	2,385,971	1,702,431	1,681,424	2,699,047	3,418,232	3,025,927	1,434,610	1,503,372	4,065,000
Repayments of credit facilities	(1,249,601)	(1,939,612)	(1,742,077)	(1,627,129)	(2,457,293)	(3,359,521)	(3,126,595)	(1,741,067)	(812,103)	(3,241,128)
Proceeds from issuance of senior notes	400,000	-	-	-	-	-	-	600,000	-	-
Repayment of senior notes, including convertible notes	(150,000)	(202,325)	-	-	-	-	-	(400,000)	-	-
Repayments of other borrowings, net	(27,705)	(15,700)	(13,843)	(10,694)	(3,350)	(17,427)	(12,438)	(62)	-	-
Payments of finance lease obligations	(43,040)	(51,587)	(57,095)	(57,980)	(67,740)	(72,167)	(88,341)	(126,988)	(158,892)	(181,481)
Payments of acquisition-related contingent consideration	(18,683)	(60,341)	(47,523)	(19,822)	(18,843)	(15,929)	(34,267)	(10,097)	(21,675)	(35,149)
Payments for acquisition-related contingent assets	-	-	-	-	-	-	-	-	-	(17,636)
Payments to non-controlling interests, including acquisition of interests	-	-	-	-	(22,728)	(559)	583	(719)	(8,965)	(728)
Proceeds from (payments for) stock-based awards, net	8,355	1,113	1,566	4,200	(3,085)	226	4,610	6,454	(6,024)	(4,098)
Repurchases of common stock	-	-	(100,000)	-	(1,552)	(313,949)	(5,652)	(120,228)	-	(81,291)
Excess tax benefit from stock-based compensation	4,315	3,728	57	135	-	-	-	-	-	-
Payments of financing costs, including call premiums on extinguishment of debt	(13,688)	(2,572)	(2,436)	-	-	-	-	-	-	-
Other financing activities, net	-	-	-	380	(6,301)	-	(8,458)	(11,790)	6,229	(22,592)
Net cash flows from financing activities	**58,993**	**118,675**	**(258,920)**	**(29,486)**	**118,155**	**(361,094)**	**(244,631)**	**(369,887)**	**501,942**	**480,897**
Effect of currency translation on cash	(24)	(1,292)	1,132	(1,303)	(111)	33	181	929	(227)	(2,155)
Net increase (decrease) in cash & cash equivalents	(3,816)	1,132	(19,075)	33,783	1,559	(12,904)	44,005	351,691	(62,382)	9,856
Cash & cash equivalents - beginning of period	26,767	22,927	24,059	4,984	38,767	40,326	27,422	71,427	423,118	360,736
Cash & cash equivalents - end of period	**22,927**	**24,059**	**4,984**	**38,767**	**40,326**	**27,422**	**71,427**	**423,118**	**360,736**	**370,592**

MasTec

Forecasted Cash Flow Statement

Fiscal Years Ending Dec. 31	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E
Net income (loss)	**368,951**	**590,452**	**768,008**	**899,048**	**856,412**	**1,116,758**	**1,153,939**	**1,177,041**	**1,182,624**	**1,156,159**
Depreciation	438,525	404,067	388,882	389,663	404,144	430,871	469,031	518,335	578,929	651,339
Changes in Def. Taxes	29,550	47,291	61,512	72,007	68,592	89,444	92,422	94,273	94,720	92,600
Operating Lease ROU assets	21,965	9,680	(498)	(9,231)	(17,037)	(24,325)	(31,428)	(38,625)	(46,157)	(54,244)
Adjustments to reconcile Net Income:										
Accounts receivable, net	(198,578)	(313,562)	(297,780)	(238,981)	(227,420)	(167,398)	(153,103)	(122,069)	(105,202)	(64,526)
Contract assets	(221,676)	(382,864)	(363,594)	(291,799)	(277,684)	(204,395)	(186,941)	(149,048)	(128,453)	(78,787)
Inventories, net	(39,185)	(30,831)	(29,279)	(23,498)	(22,361)	(16,459)	(15,054)	(12,002)	(10,344)	(6,344)
Prepaid expenses	(4,745)	(24,926)	(23,671)	(18,997)	(18,078)	(13,307)	(12,170)	(9,704)	(8,363)	(5,129)
Other current assets	868	(23,105)	(21,942)	(17,609)	(16,758)	(12,335)	(11,281)	(8,995)	(7,752)	(4,755)
Accounts payable	(570,413)	105,832	100,505	80,660	76,758	56,499	51,674	41,200	35,507	21,778
Accrued salaries & wages	(81,175)	19,758	18,764	15,059	14,330	10,548	9,647	7,692	6,629	4,066
Other accrued expenses	32,314	78,137	74,204	59,552	56,671	41,714	38,152	30,419	26,215	16,079
Contract liabilities	72,407	93,901	89,175	71,566	68,105	50,130	45,849	36,555	31,504	19,323
Other current liabilities	12,917	34,639	32,896	26,400	25,123	18,492	16,913	13,485	11,622	7,128
Net Cash from Operating Activities	(138,274)	608,469	797,180	1,013,840	990,798	1,376,237	1,467,651	1,578,556	1,661,479	1,754,689
Capex	(300,692)	(343,327)	(392,006)	(447,588)	(511,050)	(583,511)	(666,246)	(760,711)	(868,571)	(991,724)
Other intangible assets, net	84,500	74,600	64,500	55,200	261,200	-	-	-	-	-
Accumulated other comprehensive income (loss) - FX	-	-	-	-	-	-	-	-	-	-
Other long-term assets	(22,094)	(23,288)	(24,545)	(25,871)	(27,268)	(28,740)	(30,292)	(31,928)	(33,652)	(35,469)
Net Cash From Investing Activities	(238,287)	(292,014)	(352,051)	(418,258)	(277,118)	(612,251)	(696,538)	(792,639)	(902,223)	(1,027,193)
Current portion of LT debt	(16)	(27,700)	374,900	755,000	(1,026,500)	-	-	-	-	-
Long-term debt, including finance leases	(44,495)	214,507	229,730	206,353	148,456	203,362	209,232	201,770	206,633	193,529
Long term operating lease liabilities	(19,961)	(6,542)	337	6,239	11,515	16,441	21,242	26,107	31,197	36,663
Current Portion of operating lease liabilities	(4,858)	(3,445)	177	3,285	6,063	8,656	11,184	13,745	16,426	19,303
Other long-term liabilities	159,908	78,140	74,207	59,554	56,673	41,716	38,153	30,420	26,216	16,080
Treasury Shares	(39,650)	(39,650)	(39,650)	-	-	-	-	-	-	-
Net Cash From Financing Activities	50,929	215,310	639,701	1,030,431	(803,794)	270,175	279,812	272,041	280,472	265,574
Change in cash	(325,632)	531,765	1,084,830	1,626,012	(90,113)	1,034,161	1,050,925	1,057,959	1,039,729	993,071
Cash at beginning of year	370,592	44,960	576,725	1,661,555	3,287,567	3,197,454	4,231,616	5,282,541	6,340,499	7,380,228
Cash at end of year	44,960	576,725	1,661,555	3,287,567	3,197,454	4,231,616	5,282,541	6,340,499	7,380,228	8,373,299

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Common Size Income Statement

Fiscal Years Ending Dec. 31	2020	2021	2022	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E
Revenue	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Costs of revenue, excluding depreciation & amortization	83.39%	85.59%	87.81%	85.60%	85.60%	85.60%	85.60%	85.60%	85.60%	85.60%	85.60%	85.60%	85.60%
Depreciation	4.09%	4.35%	3.80%	3.52%	2.71%	2.26%	2.04%	1.94%	1.95%	2.01%	2.14%	2.31%	2.54%
Amortization of intangible assets	0.62%	0.97%	1.39%	0.68%	0.50%	0.37%	0.29%	1.25%	0.00%	0.00%	0.00%	0.00%	0.00%
Goodwill & intangible asset impairment	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
General & administrative expenses	4.79%	3.86%	5.72%	4.84%	4.84%	4.84%	4.84%	4.84%	4.84%	4.84%	4.84%	4.84%	4.84%
Operating Income/Loss	**7.11%**	**5.23%**	**1.28%**	**5.36%**	**6.35%**	**6.93%**	**7.23%**	**6.37%**	**7.62%**	**7.55%**	**7.43%**	**7.26%**	**7.02%**
Interest expense, net	-0.94%	-0.67%	-1.15%	-1.72%	-1.34%	-1.24%	-1.20%	-1.16%	-1.14%	-1.21%	-1.22%	-1.23%	-1.26%
Equity in earnings (loss) of unconsolidated affiliates	0.47%	0.43%	0.29%	0.38%	0.38%	0.38%	0.38%	0.38%	0.38%	0.38%	0.38%	0.38%	0.38%
Loss from Discontinued Operations	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Loss on extinguishment of debt	-0.09%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Other income (expense), net	0.18%	0.42%	0.01%	0.01%	0.01%	0.01%	0.01%	0.01%	0.01%	0.01%	0.01%	0.01%	0.01%
Income (loss) before income taxes	**6.73%**	**5.41%**	**0.44%**	**4.04%**	**5.40%**	**6.08%**	**6.42%**	**5.60%**	**6.87%**	**6.73%**	**6.60%**	**6.41%**	**6.15%**
Provision for income taxes	-1.62%	-1.25%	-0.09%	-1.07%	-1.43%	-1.61%	-1.70%	-1.49%	-1.82%	-1.79%	-1.75%	-1.70%	-1.63%
Net income (loss)	5.11%	4.16%	0.35%	2.97%	3.97%	4.46%	4.72%	4.11%	5.05%	4.95%	4.85%	4.71%	4.52%
Net income (loss) attributable to non-controlling interests	0.00%	-0.02%	-0.01%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Net income (loss) attributable to MasTec, Inc.	**5.11%**	**4.14%**	**0.34%**	**2.97%**	**3.97%**	**4.46%**	**4.72%**	**4.11%**	**5.05%**	**4.95%**	**4.85%**	**4.71%**	**4.52%**

MasTec

Common Size Balance Sheet

Fiscal Years Ending Dec. 31	2020	2021	2022	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E
Cash & cash equivalents	6.69%	4.54%	3.79%	0.36%	3.87%	9.66%	17.25%	15.35%	19.12%	22.65%	26.12%	29.41%	32.71%
Accounts receivable, net	12.41%	12.82%	14.32%	12.85%	12.85%	12.85%	12.85%	12.85%	12.85%	12.85%	12.85%	12.85%	12.85%
Contract assets	15.34%	15.44%	17.69%	15.68%	15.68%	15.68%	15.68%	15.68%	15.68%	15.68%	15.68%	15.68%	15.68%
Inventories, net	1.42%	1.16%	1.21%	1.26%	1.26%	1.26%	1.26%	1.26%	1.26%	1.26%	1.26%	1.26%	1.26%
Prepaid expenses	0.96%	1.15%	1.25%	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%
Other current assets	0.50%	1.03%	1.21%	0.95%	0.95%	0.95%	0.95%	0.95%	0.95%	0.95%	0.95%	0.95%	0.95%
Total current assets	**37.32%**	**36.14%**	**39.47%**	**32.12%**	**35.64%**	**41.42%**	**49.01%**	**47.11%**	**50.88%**	**54.41%**	**57.88%**	**61.17%**	**64.47%**
Property & equipment, net	15.54%	18.06%	17.94%	12.99%	10.45%	9.06%	8.48%	8.27%	8.48%	8.89%	9.54%	10.38%	11.51%
Operating lease right-of-use assets	2.79%	3.27%	2.86%	2.07%	1.67%	1.44%	1.35%	1.32%	1.35%	1.42%	1.52%	1.65%	1.83%
Goodwill, net	19.67%	19.12%	20.91%	16.44%	13.74%	11.89%	10.73%	9.82%	9.24%	8.77%	8.42%	8.15%	7.99%
Other intangible assets, net	2.91%	8.43%	9.68%	6.93%	5.29%	4.20%	3.50%	1.95%	1.84%	1.74%	1.67%	1.62%	1.59%
Other long-term assets	4.47%	4.53%	4.18%	3.47%	3.05%	2.79%	2.65%	2.55%	2.53%	2.53%	2.57%	2.62%	2.70%
Total assets	**82.71%**	**89.56%**	**95.04%**	**74.01%**	**69.84%**	**70.80%**	**75.72%**	**71.02%**	**74.31%**	**77.75%**	**81.60%**	**85.59%**	**90.09%**
Current portion of long-term debt, including finance leases	2.30%	1.73%	1.76%	1.38%	0.97%	3.02%	6.68%	1.19%	1.12%	1.06%	1.02%	0.99%	0.97%
Current portion of operating lease liabilities	1.15%	1.20%	0.99%	0.74%	0.59%	0.51%	0.48%	0.47%	0.48%	0.50%	0.54%	0.59%	0.65%
Accounts payable	9.04%	8.34%	11.35%	4.34%	4.34%	4.34%	4.34%	4.34%	4.34%	4.34%	4.34%	4.34%	4.34%
Accrued salaries & wages	2.14%	2.55%	1.86%	0.81%	0.81%	0.81%	0.81%	0.81%	0.81%	0.81%	0.81%	0.81%	0.81%
Other accrued expenses	2.97%	2.89%	3.74%	3.20%	3.20%	3.20%	3.20%	3.20%	3.20%	3.20%	3.20%	3.20%	3.20%
Acquisition-related contingent consideration	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Contract liabilities	3.61%	3.95%	4.15%	3.85%	3.85%	3.85%	3.85%	3.85%	3.85%	3.85%	3.85%	3.85%	3.85%
Other current liabilities	1.19%	1.78%	1.67%	1.42%	1.42%	1.42%	1.42%	1.42%	1.42%	1.42%	1.42%	1.42%	1.42%
Total current liabilities	**22.39%**	**22.44%**	**25.53%**	**15.73%**	**15.17%**	**17.14%**	**20.78%**	**15.27%**	**15.21%**	**15.18%**	**15.17%**	**15.19%**	**15.23%**
Acquisition-related contingent consideration, net of current portion	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Long-term debt, including finance leases	18.31%	23.60%	31.21%	24.17%	21.65%	20.07%	19.19%	18.27%	18.12%	18.09%	18.21%	18.44%	18.83%
Long-term operating lease liabilities	1.84%	2.22%	1.98%	1.40%	1.13%	0.98%	0.91%	0.89%	0.91%	0.96%	1.03%	1.12%	1.24%
Deferred income taxes	4.79%	5.66%	5.84%	4.83%	4.36%	4.13%	4.10%	4.08%	4.25%	4.42%	4.64%	4.87%	5.13%
Other long-term liabilities	3.64%	3.65%	2.44%	3.20%	3.20%	3.20%	3.20%	3.20%	3.20%	3.20%	3.20%	3.20%	3.20%
Total liabilities	**50.98%**	**57.57%**	**67.01%**	**49.33%**	**45.51%**	**45.51%**	**48.18%**	**41.72%**	**41.69%**	**41.85%**	**42.25%**	**42.81%**	**43.64%**
Common stock	0.15%	0.12%	0.10%	0.08%	0.07%	0.06%	0.05%	0.05%	0.04%	0.04%	0.04%	0.04%	0.04%
Capital surplus	13.25%	13.00%	12.75%	10.02%	8.38%	7.25%	6.54%	5.98%	5.63%	5.34%	5.13%	4.97%	4.87%
Retained earnings (accumulated deficit)	29.01%	27.19%	22.46%	20.61%	21.20%	22.81%	25.30%	27.26%	30.70%	34.08%	37.59%	41.08%	44.79%
Accumulated other comprehensive income (loss) - FX	-1.45%	-0.99%	-0.52%	-0.41%	-0.34%	-0.30%	-0.27%	-0.24%	-0.23%	-0.22%	-0.21%	-0.20%	-0.20%
Treasury stock	9.29%	7.38%	6.79%	5.65%	4.99%	4.55%	4.11%	3.76%	3.54%	3.36%	3.22%	3.12%	3.06%
Contributed shares	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Total MasTec, Inc. shareholders' equity (deficit)	31.67%	31.94%	27.99%	24.65%	24.31%	25.26%	27.51%	29.29%	32.61%	35.89%	39.33%	42.76%	46.44%
Non-controlling interests	0.06%	0.05%	0.04%	0.03%	0.03%	0.02%	0.02%	0.02%	0.02%	0.02%	0.02%	0.02%	0.02%
Total equity	31.73%	31.99%	28.03%	24.68%	24.33%	25.29%	27.53%	29.31%	32.63%	35.91%	39.35%	42.78%	46.45%
Total Liabilities and Shareholder's Equity	**82.71%**	**89.56%**	**95.04%**	**74.01%**	**69.84%**	**70.80%**	**75.72%**	**71.02%**	**74.31%**	**77.75%**	**81.60%**	**85.59%**	**90.09%**

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Value Driver Estimation

Fiscal Years Ending Dec. 31	2020	2021	2022	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E
NOPLAT:													
EBITA													
Revenue	6,320,975	7,951,781	9,778,038	12,442,455	14,883,456	17,201,603	19,062,009	20,832,420	22,135,571	23,327,437	24,277,716	25,096,684	25,599,000
Costs of revenue	5,270,879	6,805,735	8,586,333	10,650,207	12,739,599	14,723,833	16,316,260	17,831,656	18,947,098	19,967,284	20,780,681	21,481,683	21,911,644
Depreciation Expense	258,841	345,612	371,240	438,525	404,067	388,882	389,663	404,144	430,871	469,031	518,335	578,929	651,339
Amortization	38,910	77,214	135,908	84,500	74,600	64,500	55,200	261,200	0	0	0	0	0
SG&A	302,981	306,970	559,437	602,515	720,719	832,973	923,062	1,008,792	1,071,896	1,129,611	1,175,628	1,215,286	1,239,610
ADD: Imputed Interest on Operating Leases	15,231	11,698	17,252	18,519	17,064	16,423	16,456	17,067	18,196	19,807	21,890	24,448	27,506
EBITA	**464,595**	**427,948**	**142,372**	**685,227**	**961,536**	**1,207,838**	**1,394,280**	**1,343,695**	**1,703,902**	**1,781,319**	**1,824,962**	**1,845,235**	**1,823,913**
Less Adjusted Taxes													
Tax provision	-102,465	-99,346	-9,171	-133,296	-213,321	-277,470	-324,813	-309,409	-403,468	-416,901	-425,247	-427,264	-417,703
Add: Tax Shield from Interest Expense	-15,826	-14,176	-29,792	-56,689	-52,887	-56,658	-60,704	-64,345	-66,937	-74,862	-78,541	-82,089	-85,722
Less: Equity in Earnings of Unconsolidated affiliates, r	7,892	8,978	7,653	12,661	15,145	17,504	19,397	21,198	22,525	23,737	24,704	25,538	26,049
Add: Loss of extinguishment of Debt	-1,478	0	0	0	0	0	0	0	0	0	0	0	0
Total Adjusted Taxes	**-127,661**	**-122,500**	**-46,617**	**-202,646**	**-281,353**	**-351,631**	**-404,913**	**-394,953**	**-492,930**	**-515,501**	**-528,493**	**-534,891**	**-529,474**
Add: Changes in Deferred Taxes	7,180	51,931	9,549	29,550	47,291	61,512	72,007	68,592	89,444	92,422	94,273	94,720	92,600
NOPLAT	344,114	357,379	105,305	512,131	727,473	917,718	1,061,374	1,017,334	1,300,417	1,358,240	1,390,741	1,405,064	1,387,040
Invested Capital (IC):													
Net Operating Working Capital													
Operating Current Assets													
Normal Cash	16,036	13,672	14,046	1,704	21,858	62,974	124,600	121,185	160,380	200,211	240,308	279,714	317,352
A/R	784,488	1,019,324	1,399,732	1,598,310	1,911,872	2,209,652	2,448,633	2,676,053	2,843,451	2,996,553	3,118,622	3,223,824	3,288,349
Contract Assets	969,743	1,227,927	1,729,886	1,951,562	2,334,425	2,698,020	2,989,819	3,267,502	3,471,898	3,658,838	3,807,886	3,936,339	4,015,126
Inventory	89,645	92,595	117,969	157,154	187,985	217,264	240,762	263,123	279,583	294,636	306,639	316,983	323,327
Prepaid Expenses	60,631	91,488	122,308	127,053	151,978	175,650	194,647	212,725	226,032	238,202	247,905	256,268	261,397
Other Current Assets	31,390	81,884	118,640	117,772	140,877	162,819	180,429	197,186	209,521	220,803	229,797	237,549	242,304
Total Operating Current Assets:	**1,951,933**	**2,526,890**	**3,502,581**	**3,953,555**	**4,748,996**	**5,526,379**	**6,178,889**	**6,737,775**	**7,190,864**	**7,609,243**	**7,951,158**	**8,250,677**	**8,447,856**
Operating Current Liabilities:													
Accounts Payable	571,269	663,063	1,109,867	539,454	645,285	745,791	826,450	903,208	959,707	1,011,381	1,052,582	1,088,089	1,109,867
Accrued Salaries and Wages	135,316	203,141	181,888	100,713	120,472	139,236	154,294	168,625	179,173	188,820	196,512	203,141	207,207
Other Accrued Expenses	187,647	229,936	365,971	398,285	476,422	550,626	610,178	666,850	708,564	746,716	777,134	803,349	819,429
Contract Liabilities	228,388	313,965	406,232	478,639	572,540	661,715	733,281	801,385	851,515	897,364	933,920	965,424	984,747
Other Current Liabilities	74,988	141,155	163,647	176,564	211,203	244,099	270,499	295,622	314,114	331,027	344,512	356,134	363,262
Total Operating Current Liabilities	1,197,608	1,551,260	2,227,605	1,693,655	2,025,922	2,341,466	2,594,703	2,835,689	3,013,073	3,175,309	3,304,660	3,416,137	3,484,512
Net Operating Working Capital	**754,325**	**975,630**	**1,274,976**	**2,259,900**	**2,723,074**	**3,184,913**	**3,584,187**	**3,902,085**	**4,177,791**	**4,433,934**	**4,646,499**	**4,834,540**	**4,963,344**
Net PPE:	**982,328**	**1,436,087**	**1,754,101**	**1,616,268**	**1,555,527**	**1,558,652**	**1,616,577**	**1,723,483**	**1,876,123**	**2,073,338**	**2,315,715**	**2,605,357**	**2,945,742**
Other Operating Assets:													
PV of Operating Leases	**176,573**	**260,410**	**279,534**	**257,569**	**247,889**	**248,387**	**257,618**	**274,655**	**298,979**	**330,408**	**369,033**	**415,190**	**469,434**
Other Intangibles Assets	**184,043**	**670,280**	**946,299**	**861,799**	**787,199**	**722,699**	**667,499**	**406,299**	**406,299**	**406,299**	**406,299**	**406,299**	**406,299**
Other Long-term Assets	**282,856**	**360,087**	**409,157**	**431,251**	**454,539**	**479,084**	**504,955**	**532,222**	**560,962**	**591,254**	**623,182**	**656,834**	**692,303**
Other Operating Liabilities													
Other Long-term liabilities	**230,049**	**289,962**	**238,391**	**398,299**	**476,438**	**550,645**	**610,199**	**666,872**	**708,588**	**746,741**	**777,161**	**803,377**	**819,457**
Invested Capital	3,070,272	4,572,380	5,379,240	6,621,683	7,197,544	7,845,671	8,461,433	8,839,361	9,445,918	10,075,457	10,692,209	11,328,351	11,935,492
Free Cash Flow (FCF):													
NOPLAT	344,114	357,379	105,305	512,131	727,473	917,718	1,061,374	1,017,334	1,300,417	1,358,240	1,390,741	1,405,064	1,387,040
Change in IC	-281,278	1,502,108	806,860	1,242,444	575,861	648,127	615,762	377,928	606,557	629,538	616,753	636,142	607,140
FCF	**625,392**	**-1,144,729**	**-701,555**	**-730,313**	**151,613**	**269,592**	**445,612**	**639,406**	**693,860**	**728,702**	**773,988**	**768,922**	**779,899**
Return on Invested Capital (ROIC):													
NOPLAT	344,114	357,379	105,305	512,131	727,473	917,718	1,061,374	1,017,334	1,300,417	1,358,240	1,390,741	1,405,064	1,387,040
Beginning IC	3,351,550	3,070,272	4,572,380	5,379,240	6,621,683	7,197,544	7,845,671	8,461,433	8,839,361	9,445,918	10,075,457	10,692,209	11,328,351
ROIC	**10.27%**	**11.64%**	**2.30%**	**9.52%**	**10.99%**	**12.75%**	**13.53%**	**12.02%**	**14.71%**	**14.38%**	**13.80%**	**13.14%**	**12.24%**
Economic Profit (EP):													
Beginning IC	3,351,550	3,070,272	4,572,380	5,379,240	6,621,683	7,197,544	7,845,671	8,461,433	8,839,361	9,445,918	10,075,457	10,692,209	11,328,351
x (ROIC - WACC)	1.80%	3.17%	-6.16%	1.05%	2.52%	4.28%	5.06%	3.56%	6.24%	5.91%	5.34%	4.67%	3.78%
EP	**60,329**	**97,411**	**-281,851**	**56,656**	**166,798**	**308,283**	**397,060**	**300,882**	**551,965**	**558,429**	**537,626**	**499,726**	**427,838**

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Weighted Average Cost of Capital (WACC) Estimation

Cost of Equity:		*ASSUMPTIONS:*	
Risk-Free Rate	4.18%	*10 year Treasury 9/1/2023*	
Beta	1.20	*FactSet adjusted 90 Day Beta*	
Equity Risk Premium	5.00%	*HF ERP Estimate*	
Cost of Equity	**10.18%**		
Cost of Debt:			
Risk-Free Rate	4.18%		
Implied Default Premium	2.44%		
Pre-Tax Cost of Debt	6.63%	*Senior Note Due 7/15/2029*	
Marginal Tax Rate	27%		
After-Tax Cost of Debt	**4.87%**		
Market Value of Common Equity:			**MV Weights**
Total Shares Outstanding	74917		
Current Stock Price	$91.74		
MV of Equity	**6,872,885.58**		67.75%
Market Value of Debt:			
Current Portion of LTD	171900		
Long-Term Debt	3007698		
PV of Operating Leases	91658.44109		
MV of Total Debt	**3,271,256.46**		32.25%
	Estimated WACC		**8.47%**

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Discounted Cash Flow (DCF) and Economic Profit (EP) Valuation Models

Key Inputs:

CV Growth of NOPLAT	2.50%
CV Year ROIC	12%
WACC	8.47%
Cost of Equity	10.18%

Fiscal Years Ending Dec. 31	**2023E**	**2024E**	**2025E**	**2026E**	**2027E**	**2028E**	**2029E**	**2030E**	**2031E**	**2032E**
DCF Model:										
Free Cash Flow (FCF)	(730,313)	151,613	269,592	445,612	639,406	693,860	728,702	773,988	768,922	779,899
Continuing Value (CV)										18,498,098
PV of FCF	(673,303)	128,866	211,257	321,930	425,876	426,069	412,533	403,966	369,994	8,901,000
Value of Operating Assets:	10,928,188									
Non-Operating Adjustments										
Excess Cash	43,256									
ROU asset	(257,569)									
Non-Controlling Interest	3,858									
Long term Debt	(3,007,698)									
Short Term Debt	(171,900)									
Other Current Assets	(117,772)									
Other LT Assets	(431,251)									
Value of Equity	6,989,112									
Shares Outstanding	74,485									
Intrinsic Value of Last FYE	$ 93.83									
Implied Price as of Today	$ 100.35									
EP Model:										
Economic Profit (EP)	56,656	166,798	308,283	397,060	300,882	551,965	558,429	537,626	499,726	427,838
Continuing Value (CV)										7,169,746
PV of EP	52,234	141,773	241,576	286,854	200,403	338,937	316,138	280,602	240,461	3,449,972
Total PV of EP	5,548,949									
Invested Capital (last FYE)	5,379,240									
Value of Operating Assets:	10,928,188									
Non-Operating Adjustments										
Excess Cash	43,256									
ROU asset	(257,569)									
Non-Controlling Interest	3,858									
Long term Debt	(3,007,698)									
Short Term Debt	(171,900)									
Other Current Assets	(117,772)									
Other LT Assets	(431,251)									
Value of Equity	6,989,112									
Shares Outstanding	74,485									
Intrinsic Value of Last FYE	$ 93.83									
Implied Price as of Today	$ 100.35									

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Dividend Discount Model (DDM) or Fundamental P/E Valuation Model

Fiscal Years Ending Dec. 31	**2023E**	**2024E**	**2025E**	**2026E**	**2027E**	**2028E**	**2029E**	**2030E**	**2031E**	**2032E**
EPS	$ 4.95	$ 7.97	$ 10.42	$ 12.19	$ 11.61	$ 15.15	$ 15.65	$ 15.96	$ 16.04	$ 15.68
Key Assumptions										
CV growth of EPS	2.50%									
CV Year ROE	10.77%									
Cost of Equity	10.18%									
Future Cash Flows										70
P/E Multiple (CV Year)										10.00
EPS (CV Year)										$ 15.68
Future Stock Price										$ 156.77
Dividends Per Share	0	0	0	0	0	0	0	0	0	
Discounted Cash Flows	0	0	0	0	0	0	0	0	0	$ 65.51
Intrinsic Value as of Last FYE	$ 65.51									
Implied Price as of Today	$ 70.07									

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Relative Valuation Models

Ticker	Company	Price	EPS 2023E	EPS 2024E	P/E 23	P/E 24	EV	2023 EBITDA	EV/EBITDA
DY	Dycom Industries	$97.99	$4.49	$6.37	21.82	15.38	3,624	386.80	9.37
CHX	ChampionX	$37.80	$1.88	$2.33	20.11	16.22	7,911	614.70	12.87
SSD	Simpson Manufacturing	$154.29	$8.07	$8.66	19.12	17.82	6,768	547.20	12.37
EXP	Eagle Materials	180.41	13.86	15.25	13.02	11.83	7,448	724.20	10.28
				Average	**18.52**	**15.31**			**11.22**
		$91.74	4.95	7.97	18.5	11.5	6205.13	1189.73	5.22
MTZ	MasTec								

Implied Relative Value:

P/E (EPS23)	**$**	**91.72**
P/E (EPS24)	**$**	**122.03**
EV/EBITDA	**$**	**137.18**

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Present Value of Operating Lease Obligations

Fiscal Years Ending Dec. 31	2013	2014	2015	2016	2017	2018	2019
Year 1	54.3	69.5	75.0	93.8	90.7	86.4	88.8
Year 2	43.8	44.3	51.8	75.4	57.3	60.4	65.9
Year 3	25.0	25.2	36.3	47.4	33.9	37.1	41.6
Year 4	12.0	13.8	18.3	27.1	19.2	21.7	20.2
Year 5	5.2	4.3	9.9	13.7	12.3	12.1	12.8
Thereafter	5.3	3.0	10.0	33.9	30.3	21.8	28.7
Total Minimum Payments	145.6	160.1	201.3	291.3	243.7	239.5	258.0
Less: Cumulative Interest	18.9	19.3	27.3	45.0	36.8	34.7	38.7
PV of Minimum Payments	**126.7**	**140.8**	**174.0**	**246.3**	**206.9**	**204.8**	**219.3**
Implied Interest in Year 1 Payment		**8.4**	**9.3**	**11.5**	**16.3**	**13.7**	**13.6**
Pre-Tax Cost of Debt	6.63%	6.63%	6.63%	6.63%	6.63%	6.63%	6.63%
Years Implied by Year 6 Payment	1.0	1.0	1.0	2.5	2.5	1.8	2.2
Expected Obligation in Year 6 & Beyond	5.2	3	9.9	13.7	12.3	12.1	12.8
Present Value of Lease Payments							
PV of Year 1	50.9	65.2	70.3	88.0	85.1	81.0	83.3
PV of Year 2	38.5	39.0	45.6	66.3	50.4	53.1	58.0
PV of Year 3	20.6	20.8	29.9	39.1	28.0	30.6	34.3
PV of Year 4	9.3	10.7	14.2	21.0	14.9	16.8	15.6
PV of Year 5	3.8	3.1	7.2	9.9	8.9	8.8	9.3
PV of 6 & beyond	3.6	2.0	6.8	22.0	19.7	14.5	18.8
Capitalized PV of Payments	126.7	140.8	174.0	246.3	206.9	204.8	219.3

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Effects of ESOP Exercise and Share Repurchases on Common Stock Account and Number of Shares Outstanding

Number of Options Outstanding (shares):	0
Average Time to Maturity (years):	0.00
Expected Annual Number of Options Exercised:	
Current Average Strike Price:	$ -
Cost of Equity:	10.18%
Current Stock Price:	$91.74

Fiscal Years Ending Dec. 31	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E
Increase in Shares Outstanding:	0	0	0	0	0	0	0	0	0	0
Average Strike Price:	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Increase in Common Stock Account:	-	-	-	-	-	-	-	-	-	-
Share Repurchases ($)	39,650	39,650	39,650	0	0	0	0	0	0	0
Expected Price of Repurchased Shares:	$91.74	$ 101.08	$ 111.37	$ 122.71	$ 135.20	$ 148.96	$ 164.13	$ 180.83	$ 199.24	$ 219.52
Number of Shares Repurchased:	**432**	**392**	**356**	-	-	-	-	-	-	-
Shares Outstanding (beginning of the year)	74,917	74,485	74,093	73,737	73,737	73,737	73,737	73,737	73,737	73,737
Plus: Shares Issued Through ESOP	0	0	0	0	0	0	0	0	0	0
Less: Shares Repurchased in Treasury	432	392	356	-	-	-	-	-	-	-
Shares Outstanding (end of the year)	**74,485**	**74,093**	**73,737**	**73,737**	**73,737**	**73,737**	**73,737**	**73,737**	**73,737**	**73,737**

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Valuation of Options Granted under ESOP

Current Stock Price	$91.74
Risk Free Rate	4.18%
Current Dividend Yield	0.00%
Annualized St. Dev. of Stock Returns	45.99%

Range of Outstanding Options	Number of Shares	Average Exercise Price	Average Remaining Life (yrs.)	B-S Option Price	Value of Options Granted
Range 1					
Range 2					
Range 3					
Range 4	NO ESOP				
Range 5					
Range 6					
Range 7					
Range 8					
Range 9					
Total					$ -

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Sensitivity Tables

DCF — WACC

CAPEX growth rate: 100.35	7.82%	8.07%	8.32%	8.47%	8.82%	9.07%	9.32%
13.58%	129.32	118.80	109.23	103.94	92.42	85.01	78.17
13.78%	127.98	117.53	108.01	102.76	91.31	83.95	77.15
13.98%	126.62	116.24	106.78	101.56	90.19	82.87	76.12
14.18%	125.25	114.94	105.54	100.35	89.06	81.79	75.08
14.38%	123.87	113.62	104.29	99.13	87.91	80.69	74.02
14.58%	122.47	112.29	103.02	97.90	86.75	79.58	72.96
14.78%	121.05	110.94	101.73	96.65	85.58	78.46	71.88

DCF — Pre-tax cost of debt

Marginal Tax Rate: 100.35	4.38%	5.13%	5.88%	6.63%	7.38%	8.13%	8.88%
23.54%	118.63	111.37	104.57	98.19	92.19	86.54	81.39
24.54%	119.20	112.00	105.25	98.91	92.94	87.31	82.19
25.54%	119.78	112.63	105.93	99.63	93.70	88.10	82.99
26.54%	120.36	113.27	106.61	100.35	94.46	88.89	83.81
27.54%	120.94	113.91	107.30	101.09	95.22	89.69	84.63
28.54%	121.53	114.55	108.00	101.82	96.00	90.49	85.46
29.54%	122.12	115.20	108.70	102.56	96.78	91.30	86.30

DCF — CV Growth of NOPLAT

Risk Free Rate: 100.35	1.90%	2.10%	2.30%	2.50%	2.70%	2.90%	3.10%
2.38%	142.80	145.95	149.35	153.03	157.04	161.42	166.23
2.98%	124.84	127.25	129.83	132.62	135.63	138.89	142.44
3.58%	109.33	111.18	113.15	115.27	117.54	119.99	122.63
4.18%	95.83	97.24	98.75	100.35	102.07	103.91	105.89
4.78%	83.97	85.05	86.20	87.41	88.71	90.09	91.57
5.38%	73.48	74.30	75.17	76.08	77.06	78.09	79.19
5.98%	64.15	64.76	65.41	66.09	66.81	67.58	68.39

DCF — Cost of Revenue

Depreciation Rate: 100.35	84.85%	85.10%	85.35%	85.60%	85.85%	86.10%	86.35%
22.00%	129.62	120.23	110.84	101.44	92.05	82.65	73.55
23.00%	129.22	119.83	110.44	101.05	91.66	82.27	73.21
24.00%	128.85	119.46	110.07	100.69	91.30	81.93	72.91
25.00%	128.50	119.12	109.74	100.35	90.97	81.66	72.64
26.00%	128.18	118.80	109.42	100.05	90.67	81.40	72.39
27.00%	127.88	118.51	109.13	99.76	90.39	81.17	72.16
28.00%	127.60	118.23	108.86	99.49	90.12	80.96	71.96

DCF — Beta

ERP: 100.35	1.05	1.10	1.15	1.20	1.25	1.30	1.35
4.70%	128.47	121.60	115.13	109.04	103.29	97.85	92.70
4.80%	125.35	118.52	112.11	106.06	100.35	94.96	89.86
4.90%	122.31	115.53	109.16	103.17	97.51	92.17	87.11
5.00%	119.35	112.63	106.30	100.35	94.75	89.45	84.44
5.01%	119.06	112.34	106.02	100.08	94.47	89.18	84.18
5.02%	118.77	112.05	105.74	99.80	94.20	88.92	83.92
5.03%	118.48	111.77	105.46	99.53	93.93	88.65	83.66

DDM — Cost of Equity

CV Growth of EPS: 70.07	8.68%	9.18%	9.68%	10.18%	10.68%	11.18%	11.68%
1.75%	94.91	85.20	76.85	69.62	63.28	57.72	52.81
2.00%	95.73	85.72	77.15	69.76	63.30	57.65	52.67
2.25%	96.61	86.29	77.48	69.91	63.32	57.57	52.52
2.50%	97.57	86.89	77.82	70.07	63.34	57.49	52.37
2.75%	98.61	87.54	78.19	70.24	63.36	57.41	52.21
3.00%	99.74	88.24	78.59	70.42	63.38	57.32	52.04
3.25%	100.98	89.00	79.02	70.61	63.41	57.22	51.86

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Key Management Ratios

Fiscal Years Ending Dec. 31		2020	2021	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E
Liquidity Ratios:														
Current Ratio	Current Assets/Current Liabilities	1.67	1.61	1.55	2.04	2.35	2.42	2.36	3.09	3.34	3.58	3.81	4.03	4.23
Cash Ratio	(Current Assets-Inventory)/Current Liabilitie	1.60	1.56	1.50	1.96	2.27	2.34	2.30	3.00	3.26	3.50	3.73	3.94	4.15
Quick Ratio	Cash/Current Liabilities	0.30	0.20	0.15	0.02	0.26	0.56	0.83	1.01	1.26	1.49	1.72	1.94	2.15
Asset-Management Ratios:														
Total Asset Turnover	Revenue/Total Assets	1.21	1.12	1.05	1.35	1.43	1.41	1.32	1.41	1.35	1.29	1.23	1.17	1.11
Current Asset Turnover	Revenue/Current Assets	2.68	2.77	2.53	3.11	2.81	2.41	2.04	2.12	1.97	1.84	1.73	1.63	1.55
Fixed Asset Turnover	Revenue/PPE	6.43	5.54	5.57	7.70	9.57	11.04	11.79	12.09	11.80	11.25	10.48	9.63	8.69
Financial Leverage Ratios:														
LT Debt to Equity	LT debt/ Total Equity	0.58	0.74	1.11	0.98	0.89	0.79	0.70	0.62	0.56	0.50	0.46	0.43	0.41
Debt Ratio	Total Debt/Total Assets	0.25	0.28	0.35	0.35	0.32	0.33	0.34	0.27	0.26	0.25	0.24	0.23	0.22
LT Debt to Assets	LT Debt/ Total Assets	0.22	0.26	0.33	0.33	0.31	0.28	0.25	0.26	0.24	0.23	0.22	0.22	0.21
Profitability Ratios:														
Return on Equity	NI/Beg TSE	18%	16%	1%	13%	19%	21%	21%	16%	18%	16%	14%	12%	11%
ROA	NI/Total Assets	6.18%	4.62%	0.36%	4.01%	5.68%	6.31%	6.23%	5.79%	6.79%	6.36%	5.94%	5.51%	5.01%
Net Margin	NI/Total Revenue and Other Income	5.11%	4.14%	0.34%	2.97%	3.97%	4.46%	4.72%	4.11%	5.05%	4.95%	4.85%	4.71%	4.52%
Payout Policy Ratios:														
Dividend Payout Ratio	Dividend/EPS	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Payout Ratio	(Divs. + Repurchases)/NI	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Payout Ratio	((Divs. + Repurchases)/NI)	-	-	-	-	-	-	-	-	-	-	-	-	-