

The Henry Fund

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MASTEC, INC (MTZ)

Industrials – Transmission Line Construction

April 20, 2022

Stock Rating

BUY

Investment Thesis

We recommend a buy rating for Mastec, Inc. with a potential upside of 33%. Mastec's aggressive acquisition strategy has made them a market leader in electrical transmission infrastructure. Additionally, we expect Mastec to benefit from new initiatives in 5G networks and trends in renewable energy and grid fortification. Mastec has also shifted its project mix toward maintenance and upgrade projects, which carry less margin risk. Overall, it seems Mastec has found a sure footing within the industry and is better able to grow than its peers.

Drivers of Thesis

- High demand for 5G technology places Mastec in a position to benefit from AT&T and Dish Network's expected capital outlays. We see revenues for the segment growing by 8% in 2022 and 11% in 2023.
- Mastec's acquisition of INTREN and Henkels & McCoy has made them a market leader in the electrical transmission segment, enhancing the company's ability to increase its backlog. Segment revenue doubled over 2021, and we expect it to increase by 85% in 2022.
- Trends in grid fortification, renewable energy consumption, and electric vehicles are expected to boost revenues in Mastec's electrical transmissions and clean energy infrastructure segments.

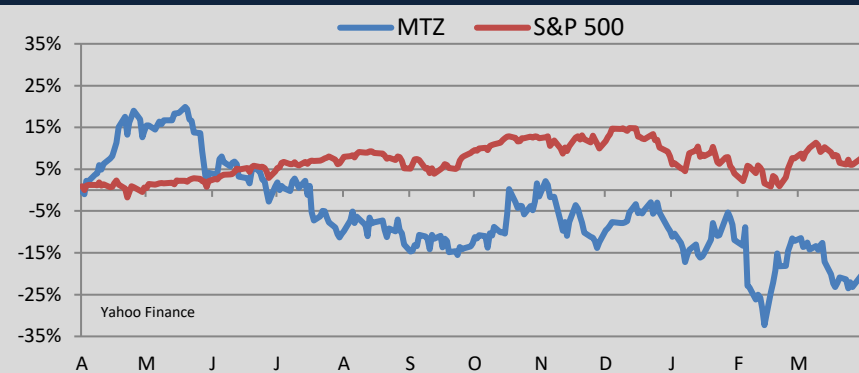
Risks to Thesis

- Our expectations for the oil and gas segment are higher than management guidance. If the segment drops lower than expected, the price could remain below our target range.
- Geopolitical tensions could result in increased supply chain issues and delay or reduce project starts.
- The low concentration of firms within the industry heightens competition and could reduce profit margins if available contracts slow due to the current economic climate

Earnings Estimates

Year	2019	2020	2021	2022E	2023E	2024E
EPS	\$5.17	\$4.38	\$4.45	\$3.63	\$5.62	\$6.36
HF est. growth	58.18%	15.13%	2.4%	2.02%%	32.38%	15.81%

12 Month Performance



Target Price

\$91 – 109

Henry Fund DCF	\$99
Henry Fund DDM	\$54
Relative NTM P/E	\$107.21

Price Data

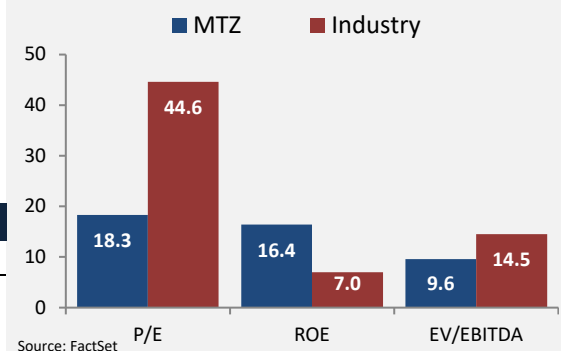
Current Price	\$82
52wk Range	\$72 – 122
Consensus 1yr Target	\$111

Key Statistics

Market Cap (B)	\$6.22
Shares Outstanding (M)	\$76.2
Institutional Ownership	69.7%
Beta	1.52
Dividend Yield	0.0%
Est. 5yr Growth	13.1%
Price/Earnings (TTM)	18.3
Price/Earnings (FY1)	14.3
Price/Sales (TTM)	0.8
EV/EBITDA (TTM)	9.6

Profitability

Operating Margin	7.0%
Profit Margin	5.1%
Return on Assets (TTM)	6.3%
Return on Equity (TTM)	16.4%

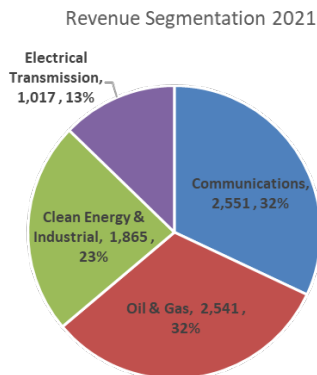


Company Description

Mastec, Inc. provides infrastructure construction services and mainly operates within the transmission line construction industry. The company's revenues are divided into four main segments: Communications, Oil and Gas, Electrical Transmissions, and Clean Energy and Infrastructure. Mastec operates almost entirely within the US and provides services to large customers such as Enbridge and AT&T.

COMPANY DESCRIPTION

Mastec is a leading infrastructure construction company that operates mainly within the United States. It provides services to various industries while specializing in building underground and overhead distribution systems. Mastec's revenues are divided into four main segments: Communications, Oil and Gas, Electrical Transmissions, and Clean Energy and Infrastructure. The following chart represents the 2021 FYE segmented revenues.



Source: MTZ 2021 10-K

Communications

Communications was the largest of the four segments in 2020, accounting for over 40% of revenue. In 2021, the segment fell to 32% of revenue with meager growth of just over 1.5%. We believe this is due to electrical transmission growth and possible supply chain issues. We expect the segment to see high growth over the next few years, with 2023 performance being the strongest, growing 11% YoY. Our medium-term growth estimates are based on our 5G wireless infrastructure expectations. AT&T, Mastec's largest customer for this segment, expects to increase CAPEX for C-Band 5G towers and aims to deploy over 200 million points of presence by the end of 2022². Additionally, Dish Network stated that they are approximately six months behind on their 5G rollout and will need 20% of the US covered by June and 70% by June 2023³. Dish still plans to meet the deadline set by the FCC, and we expect Mastec to be a lead contributor to Dish's

developments in this area. As depicted below, we see revenue growth sliding after 2023.

2021	2022E	2023E	2024E	2025E
1.55%	8.00%	11.00%	8.00%	7.50%
2026E	2027E	2028E	2029E	2030E
7.25%	6.75%	4.25%	3.25%	2.50%

Oil and Gas

Oil and gas performed well in 2021, with growth of over 40%; however, the segment still lies below pre-pandemic levels. Management stated the relatively good performance was due to a few large diameter pipeline projects⁴. Despite this, management expects performance to dip in 2022, leaving the segment as the lowest producing segment for the year. However, we see revenues dropping 30%, placing the segment above electrical transmissions in total revenue. With the uncertainty stemming from the Russian conflict, and Biden's recent deployment of the emergency oil supply, it can be expected that additional pipeline infrastructure and maintenance may be needed to meet demand. Therefore, we expect revenue to be above guidance in 2022 and grow moderately over the next eight years.

2021	2022E	2023E	2024E	2025E
41.94%	-30.00%	7.75%	7.00%	7.00%
2026E	2027E	2028E	2029E	2030E
2.50%	2.25%	2.00%	2.00%	2.00%

Electrical Transmissions

The electrical transmission segment generates revenue by constructing and maintaining infrastructure that distributes electric power across large areas. The segment grew by over 100% in 2021, primarily due to its acquisition of INTREN⁴. Management expects revenues for the segment to reach \$2.5B in 2022⁴. We are more conservative on our projection for the segment and expect to see growth of 85%, roughly \$600M below guidance. We believe supply chain issues will continue to plague the industry as COVID and the recent Russia-Ukraine conflict will hinder commodity freight. In 2023 we expect revenues to continue to grow as demand for fortifying the current

infrastructure and trends in renewable energy will push organic growth for the segment. Thereafter, revenues will likely fall as firms will place pressure on contract bids. The figure below represents our expected growth rates for the segment over the 9-year period.

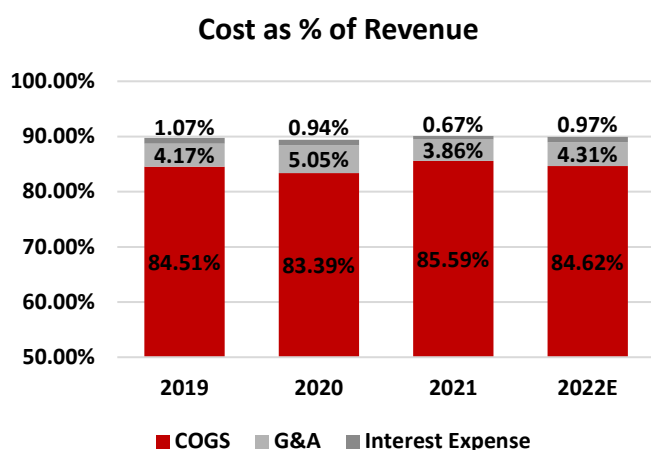
2021	2022E	2023E	2024E	2025E
100.75%	85.00%	20.00%	9.50%	12.50%
2026E	2027E	2028E	2029E	2030E
9.25%	7.35%	6.35%	5.75%	3.00%

Clean Energy and Infrastructure

Clean energy infrastructure includes the construction and maintenance of power generation facilities. Organic revenue was low in 2021, and segment performance was primarily attributable to acquisitions. However, we expect the segment to see enhanced organic growth as renewable energy demand increases over the next few years. Renewable energy as a proportion of total energy use in the US has increased from 12% in 1980 to 20% share in 2020¹⁸. This energy type is likely to increase its share as we move toward a more sustainable future. Below are our growth rate assumptions for the segment.

2021	2022E	2023E	2024E	2025E
22.14%	13.00%	13.25%	12.00%	15.00%
2026E	2027E	2028E	2029E	2030E
14.00%	12.50%	7.25%	6.50%	3.75%

Cost Structure Analysis



Source: FactSet

Mastec carries three main cost categories excluding depreciation and amortization. These include cost of revenues, general and administrative, and interest expense. These costs as a percentage of revenue for the past three years and expected 2022 can be found in the previous chart.

Mastec's cost of revenues consists mainly of employee salaries and benefits, subcontracted services, equipment, and facility rentals, materials, and insurance expenses¹. This segment has few fixed costs and is therefore highly dependent on the company's revenues which are recognized on a cost-to-cost measure of progress. Costs are generally recognized as estimates, and any excess of estimated costs are recognized in the period that they are determined¹. Factors that could impact the cost of revenues include seasonality and geographic mix, cost and availability of skilled labor, subcontracted resources, and materials costs¹.

General and administrative expenses consist mainly of compensation and benefits expenses, travel, insurance and risk management, and legal. We are forecasting a slight increase in this cost category as insurance-related expenses are predicted to rise with interest rates. Costs are expected to be larger than 2021, but close to the past three years' average.

Gross margins mainly depend on the company's project mix. Installation projects tend to carry more margin risk as they are usually fixed-price projects. The opposite is true for upgrade and maintenance projects as they are generally on a time and materials pricing basis¹. We expect upgrade and maintenance projects to increase throughout the forecast period; however, we do not expect margins to change significantly. Therefore, we forecasted the cost of revenues as the average of the last four years. This represents an increase in margins over the previous fiscal year while remaining somewhat steady and similar to pre-pandemic levels.

The following chart represents EBIT, Profit, and Gross margins for Mastec over the last three historical years and the 2022 expected year. Over the historical period, there

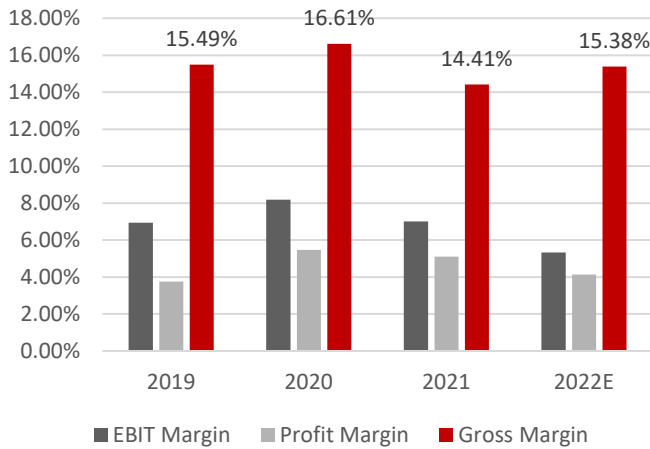
have been some noticeable swings in margins and are most likely attributable to pandemic-induced changes in project mix, supply chain disruptions, and commodity market swings. We expect gross margins to increase slightly with a shift in product mix, while general and administrative costs should remain near the average of the historical period.

and has better positioned them for future growth. Having diverse operating segments allows the company a form of risk mitigation from falling revenues in one segment. Mastec's top three customers are

Management Team

Mastec has a promising management team with long tenure and significant performance incentives. The average tenure of management and the board is 16 years⁵. This is much higher than the company's peer group. The current CEO, José Ramón Mas, is the son of the company's founder, Jorge Canosa Mas, and has been CEO for over 23 years. José is the second largest inside shareholder with 7.67% of shares outstanding. He is second only to his father, who owns 14.47% of shares outstanding⁵.

Mastec Historical Margins



Source: FactSet

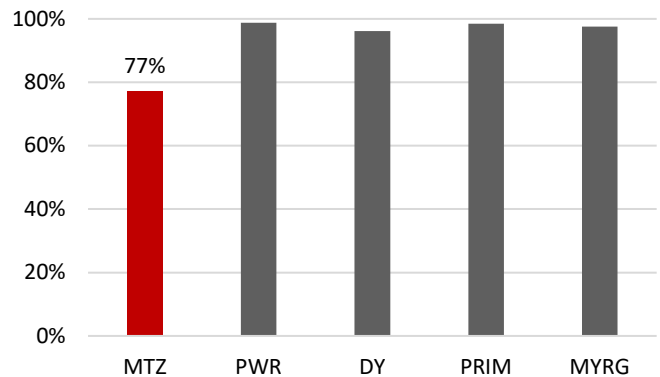
Customers and Projects



Source: Mastec.com

Approximately 98% of Mastec's revenues are generated within the United States⁴. The map above shows Mastec's current projects within the US and each type. Many oil projects are in the southern part of the United States, while electric transmission projects are mainly focused in the northeastern and midwestern regions of the country. This map is representative of Mastec's geographic centrality while handling a very diverse set of projects. We believe this is what sets Mastec apart from its competitors

Float (%)



Source: FactSet

The chart above shows the float percentage of Mastec and its peer group. Mastec has the lowest free float percentage compared to its comparable group. Therefore, it can be determined that the management team and other inside shareholders stand to benefit from the company's long-term success. Furthermore, management compensation is lower than some of the company's larger peers, such as Quanta Services and Jacobs Engineering⁵. Overall, it seems Mastec has a strong management team in place with the company's best interests and its shareholders in mind.

Debt Maturity Analysis

The following table represents the debt maturity schedule of Mastec. The most significant principal payment will

come due in 2026 of \$1,103M. We are confident that Mastec will have enough capital on hand to pay down its obligations without the need to refinance.

Five-Year Debt Maturity Schedule

Fiscal Year	Coupon (%)	Payment (\$mil)
2022		\$137.9
2023		96.9
2024		57.6
2025		36.9
2026		1,103.3
Thereafter	4.50%	600.0
Total		\$2,032.6

The company has performed well at managing its working capital and has generated strong cash flow growth over the last few years. Consequently, the company received its first investment-grade credit rating in the fourth quarter of 2021⁴. Furthermore, Mastec reduced its net leverage from 1.6 to 1.4. In its most recent 10-K filing, the company stated that it might refinance or issue debt to purchase treasury shares¹. Given the investment-grade rating, this scenario is much more likely. We have forecasted over \$150 million of share repurchases over the next three years and 20% yearly growth after that.

ESG Analysis

According to FactSet, Mastec is average in its ESG ranking. However, it has ranked them as having high positive momentum⁴. We agree with this as we see Mastec as an initiator of change in sustainability practices. They are slowly moving away from their oil and gas segment and have started to invest in clean energy. FactSet gave Mastec a governance score of 9 out of 100, which is exceptionally low⁴. This is likely due to the high percentage of insider ownership of around 22%. We see the high insider ownership as a potential benefit as it may create long-term incentives. Having a CEO who is the founder's son could result in a need to grow and sustain the company over the long term. Sustainalytics scored Mastec as having high ESG risk with a score of 34.5¹⁹. Mastec ranks 86 of 307 among its industry group in this ranking¹⁹.

The chart below shows Mastec's Bloomberg ESG scores along with its peer group's measures. As depicted, Quanta Services outperforms its ranked competitors. Quanta holds a high governance score of 7.12. We believe this is likely due to its robust employee training and hazard prevention programs. Quanta aims to leverage its solid and well-trained hourly employee base to provide value to its customer, and we see this as a reason for its high governance score.

	E	S	G	Risk Score
MTZ	0.62	1.30	5.33	36.94
PWR	1.21	4.02	7.12	35.14
DY	0.00	1.30	6.76	N/A
MYRG	N/A	N/A	N/A	N/A
PRIM	N/A	N/A	N/A	N/A

RECENT DEVELOPMENTS

Q4 Earnings

Mastec released the fourth-quarter results on February 24th. The company beat earnings estimates but missed revenues by \$60 million. Management stated that they expect oil and gas revenues to be its worst-performing segment in 2022 and noted the segment's high revenues in 2021 were attributable to two large-diameter projects⁴. However, the company recognized massive growth in its electrical transmissions segment and attributed this to its acquisition of INTREN⁴. Management also noted its pricing ability and how it was able to increase its prices in line with its inputs. This indicates a shift in the company's pricing power within the industry. As Mastec continues to make strategic acquisitions and increase its market share, we can expect to see an increase in its pricing capabilities. Aside from the poor oil and gas guidance, the earnings release indicated that the company is well-positioned for 2022. Furthermore, the oil and gas guidance was provided prior to the Russian invasion of Ukraine.

Acquisitions

On December 20, 2021, Mastec announced its acquisition of Henkels & McCoy, one of the largest utility service firms

in the United States. The company provides construction, installation, design and engineering, project management, and maintenance services to utility, commercial, industrial, and government customers¹⁶. Total consideration was \$600 million, \$420 million in cash, and the rest in equity⁵. The acquisition offers many synergies with Mastec's electrical transmission segment and will allow for further expansion into the electric utility space.

Additionally, the acquisition will increase Mastec's number of master service agreements⁴. This is beneficial as these agreements tend to have more upgrade and maintenance work and predefined terms. We believe this acquisition and the induction of Henkel's over 5,000 employees will significantly benefit margins and growth within the electrical transmissions segment.

Russia and Ukraine

The Russian invasion of Ukraine has had a massive impact on commodity prices and may slow clean energy initiatives. Russia currently supplies close to 40% of the world's palladium⁶. Palladium is a metal used in catalytic converters, which reduce toxic emissions from combustion engines. Additionally, Russia supplies a large portion of the world's nickel. Nickel is an essential component in EV batteries and enhances their battery life¹⁵. Since the conflict started, the price of nickel and palladium has risen 95% and 55%, respectively⁶. This raises significant concerns about EV and sustainability trends. If the conflict continues, we expect Mastec's forecasted revenues from mass EV adoption to be pushed back.

An additional but unlikely result of the higher commodity prices is a complete shift away from EVs and sustainable infrastructure. The EV and renewable energy markets have consistently struggled with making their products affordable to the "regular" consumer. However, innovation in the industry and lower commodity prices have allowed the market to make tremendous leaps to reach a broader customer set. Nevertheless, if it no longer becomes viable for people to purchase an EV or fit their home for renewable energy use, they will opt for something more affordable. This could have a domino

effect and result in a movement away from EVs and renewable energy altogether.

INDUSTRY TRENDS

5G and Internet of Things

The communications portion of industry revenue accounts for roughly 10.7% of industry revenue¹¹. We expect this number to grow with the swift adoption of 5G wireless networks. 5G is likely to serve as the backbone of the internet of things. The internet of things is the continuous and simultaneous connection of devices and equipment. Smart homes and smart farming are good examples of the impact of the new form of connectedness. More items are designed to have wireless connection capabilities, so a better and broader 5G infrastructure will be needed. Telecommunications companies are expected to increase capital expenditures in this area in 2022. Mastec is in excellent positioning for the move to 5G and is likely to benefit from Dish and AT&T, who are expected to extend their points of service significantly in 2022 and 2023.

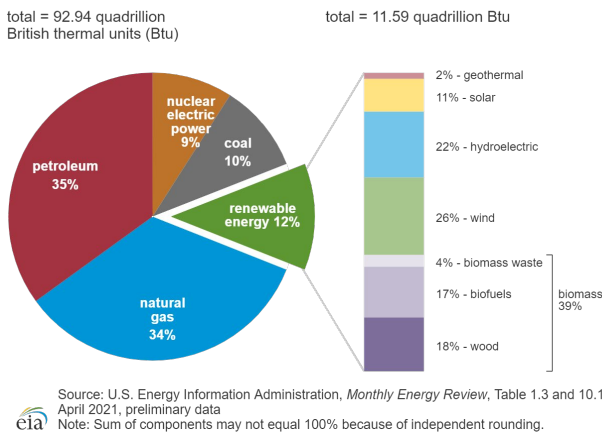
Grid Fortification and Modernization

Grid Bulwarking is the fortification of the current grid infrastructure against natural and unnatural disasters. Natural disasters can result in billions of dollars in damage to standing infrastructure. Since 1980 there has been an average of 7.4 disasters per year, totaling over \$2.5 trillion in damages over the 41-year period¹³. Utilities and governments are now attempting to fortify this infrastructure to prevent outages and other adverse events that cost them significant sums of money. This offers substantial organic growth opportunities for Mastec and its peers. Additionally, this will add to the amount of upgrade and maintenance projects in the market, reducing margin uncertainty. Furthermore, the average age of the current grid installed base is over 40 years old²⁰. Distribution lines have a useful life of around 50 years; therefore, the grid will need significant replacement within the next decade. It is expected that \$1.5 to \$2 trillion will be spent modernizing the grid by 2030¹³. This will offer opportunities for increased installation projects.

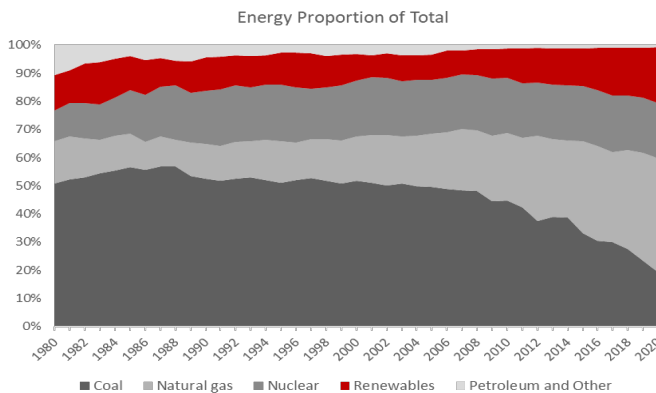
Energy Consumption and Production

Mastec is one of the largest pipeline contractors in the US, specializing in large diameter (“long-haul”) pipeline. However, oil has been declining with the onset of clean energy initiatives. The following graph represents each type of energy’s share of total consumption in 2020. We can see that petroleum accounts for the majority, with natural gas not far behind. However, renewable energy has been picking up steam over the past few years, and we expect to see a significant shift toward renewables by 2025. Renewable energy has increased its share by 6% since the year 2000¹⁸.

U.S. primary energy consumption by energy source, 2020



Petroleum only takes up about 1% of energy production within the US, and we expect this to remain low¹⁸. We expect to see renewable energy increasing its share of energy production in the US. The graph below represents energy as a proportion of total production in the US.



The expected shift to renewable energy has created strong organic growth opportunities within the industry. Renewable energy plants are usually located far from where power needs to be delivered. Therefore, more transmission lines will be required to reach consumers². Additionally, the current energy capacity may not be able to supply potential demand from increasing electric vehicle sales. We expect this to be a significant growth area for the industry and outpace any other forms of revenue growth within the industry. Mastec has been shifting its strategy toward renewable energy transmission and generation and away from oil and gas. Therefore, we expect any shifts away from the oil and gas segment will be offset by growth in its clean energy segment.

MARKETS AND COMPETITION

Mastec mainly operates within the transmission line construction industry. Firms within the industry perform construction, maintenance, and replacement of various electric power and telecommunications infrastructure. The following illustrates Porter’s Five Forces of Industry Analysis. However, in greater detail, we will only mention competition and rivalry, customers’ bargaining power, suppliers’ bargaining power, and the threat of new entrants. The transmission line construction industry has changed very little over the years regarding service offerings. We expect transmission infrastructure to continue to be required with any innovation in the related markets. The following table contains data comparing the relative size of each company in Mastec’s comparable set.

Company	4/20/2022 MKT Cap	2021 Sales	2021 Net Income
Mastec	6,217	7952	329
Quanta Services	19,668	12980	486
Dycom	2,802	3131	49
MYR Group	1,580	2498	85
Primoris Services	1,421	3498	116

Competition and Rivalry

Competition within the transmission line construction industry is intense. Industry concentration is deficient in

the US, with only a few large national companies holding less than 15% market share¹¹. The rest of the US industry is host to numerous large infrastructure contractors that operate locally and/or nationally¹¹. The high level of fragmentation allows for competitive contract pricing.

Bargaining Power of Buyers

Within the industry, contracts are auctioned in private power infrastructure, private telecommunications, and government markets¹¹. Private investment in power has remained around 75% of total private construction spending for the past ten years, with communications accounting for roughly 15% in 2020¹². This indicates a need for the services of companies within the transmission line construction. However, with industry concentration at deficient levels, buyers carry significant pricing power via the contract auction process. Companies can exclude any companies from their auction that they wish. Therefore, companies known to make low bids may receive more invitations.

Bargaining Power of Suppliers

The industry has a relatively low bargaining power of suppliers. Supplies and materials tend to be provided by the customer. However, firms within the industry subcontract portions of their contract agreements. Apart from Quanta Services, most firms have been increasing the number of contracts they have been subcontracting¹¹. Although the bargaining power of suppliers is currently low, we expect it to grow as more firms increase their use of subcontractors.

Threat of New Entrants

Transmission line construction is a capital-intensive industry; therefore, it has high entry barriers. However, we believe that the high level of capital requirement has decreased and will continue to decrease in the coming years. Companies have opted to carry less PPE on their balance sheets by outsourcing the capital-intensive work and signing short-term leases on heavy equipment¹¹. Additionally, some contracts stipulate that the customer

will provide all materials and equipment needed to fulfill the contract¹. The industry is slowly taking on a more project management role where larger companies will coordinate action by smaller and more niche firms. Decreasing capital requirements and low market share concentration will allow for ease of entry for new companies.

Overall, it seems the industry is positioned well for growth in revenues through demand for maintenance and upgrade of current grid infrastructure and a switch to renewable energy. However, it may struggle to increase or maintain margins. Competition is fierce as many firms place competitive bids for contracts. Additionally, the pricing power of customers is high and rising due to a large number of firms they could do business with. It seems companies can better position themselves through acquisitions and attempting to gain market share within the industry.

PEER COMPARISONS

Quanta Services (PWR)

Quanta Services is an industry leader in electric and power infrastructure. The company's top customers include:

- NextEra Energy
- Dominion Energy
- Exelon

Quanta's mission statement is "People are at the core of everything we do," Its strategy revolves around providing the best training and resources to over 47,000 employees⁹. Quanta differentiates itself by hiring and retaining its large hourly worker base. This allows them to reduce exposure to risks associated with subcontractors' time, delivery, and service. Quanta currently performs 80% of its contractual obligations while outsourcing the difference⁹.

MYR Group (MYRG)

MYR Group is a holding company that operates through its transmission & distribution and commercial & industrial segments. The group's top customers include:

- Exelon
- FirstEnergy Corp
- Avangrid

MYR Group separates itself from the other listed competitors by allocating its attention to local energy distribution. Instead of competing for high voltage long-distance transmission, the company has focused on low voltage and more localized distribution.

Primoris Services Corporation (PRIM)

Primoris Services is a holding company that provides construction, maintenance, replacement, and engineering services through the following segments: Utilities, Pipeline, Power, Transmission, and Civil. Primoris' top three customers are listed as follows:

- Enterprise Prods Partners
- Kinder Morgan
- Duke Energy

Primoris seems to be a jack of all trades within the industry. It operates through broad segments and works with a more diverse customer base than comparable companies.

Dycom Industries (DY)

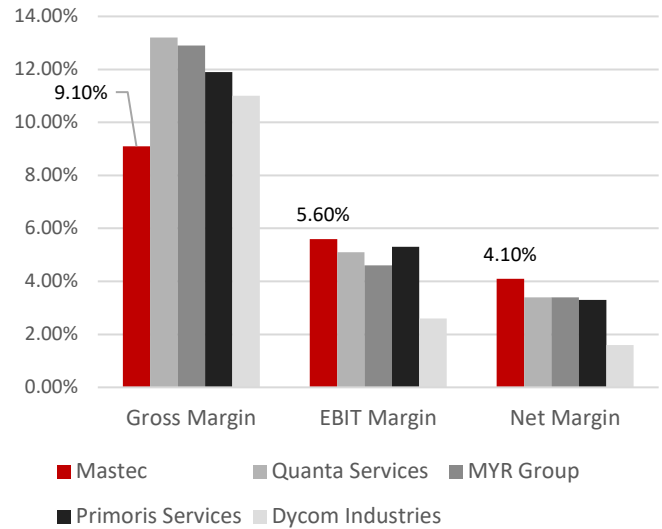
Dycom Industries provides engineering, construction, maintenance, and installation of telecommunications, oil, gas, and other general transmission infrastructure. It operates through Telecommunications, Utility Line Locating Systems, and Electrical Utilities. The company's top three customers include:

- AT&T, Inc.
- Comcast Corp.
- Lumen Technologies

Dycom is unique in this peer group as almost 90% of its revenue is generated by its telecommunication segment⁵. Mastec is the only comparable company that comes close to this segment concentration, with 32% of telecommunication revenue in 2021.

Margin Analysis

Historical Five Year Margin



Source: FactSet

The chart above provides gross, EBIT, and net margin comparisons of Mastec and its peer group over the last twelve months. The chart shows that Mastec has the lowest gross margin of its peers, yet it has achieved higher LTM operating and net margins. We believe this is due to Mastec's diverse offerings and customer base and its project mix. Mastec operates through diverse segments and can usually offset one segment's losses with gains in another. Additionally, Mastec has few fixed costs and, therefore, has low operating leverage. The table below compares the operating leverage of Mastec and its comparable companies over the last fiscal year.

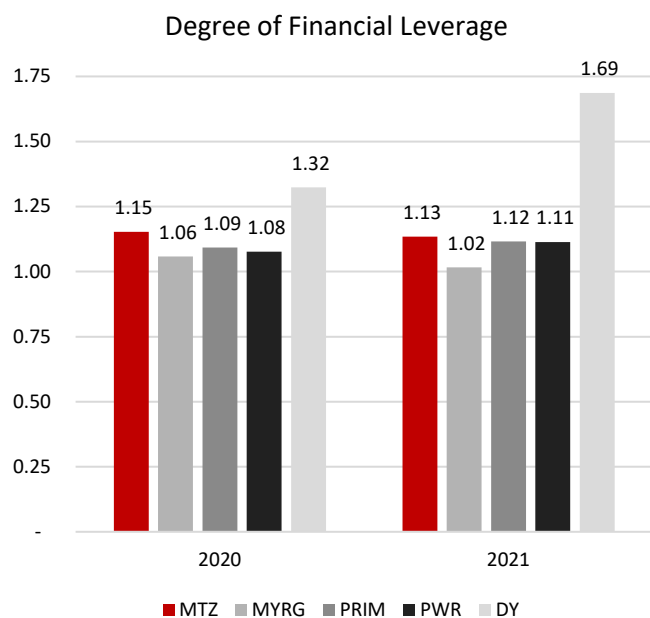
Company	DOL
Mastec	0.003
Quanta Services	0.025
MYR Group	0.127
Primoris Services	3.148
Dycom Industries	0.581

Source: FactSet

Operating leverage is calculated as the change in operating income over the change in revenues. Companies with high operating leverage tend to have many fixed costs. Margin risk tends to be a byproduct of installation projects within

the industry as they are usually priced on a fixed basis¹. Therefore, operating leverage is likely to come from fixed revenues and variable costs within the industry. Primoris Services has the highest operating leverage of its peer group of 3.148. This indicates that a one dollar decrease in revenue will cause an over 3 dollars decrease in EBIT. Mastec had the lowest operating leverage over the last year and is, therefore, the most attractive company in this regard.

Degree of Financial Leverage

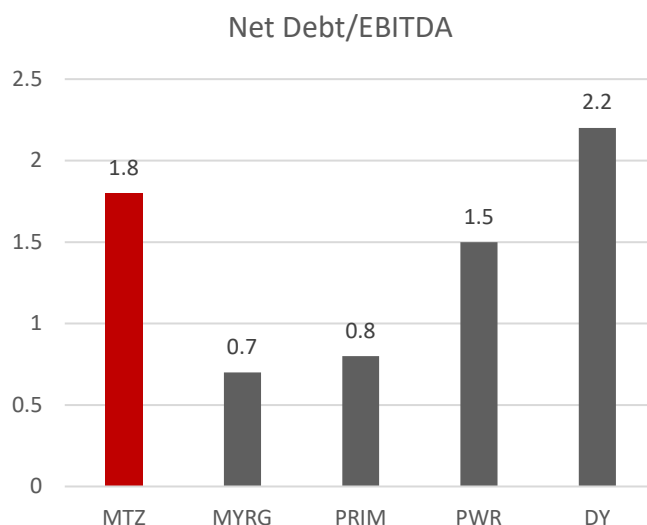


Source: FactSet

The previous chart shows each companies’ degree of financial leverage. This metric measures the sensitivity of a company’s net income to changes in EBIT. It is measured by dividing EBIT by EBIT minus interest expense. As pictured, Dycom Industries has carried the highest degree of financial leverage over the past two years. The other companies are relatively close to one another. Financial leverage increases with increases in interest-bearing debt and higher costs of debt. Therefore, it can be determined that Dycom has more significant debt levels with a potentially higher cost of borrowing.

Net Debt to EBITDA

The net debt to EBITDA ratio represents how many years it would take to pay off its debts with its current operating income. The following chart shows Mastec’s five-year average ratio along with its peers. Mastec has the second largest ratio behind Dycom Industries. This could be due to the telecommunications segment of Mastec and Dycom.



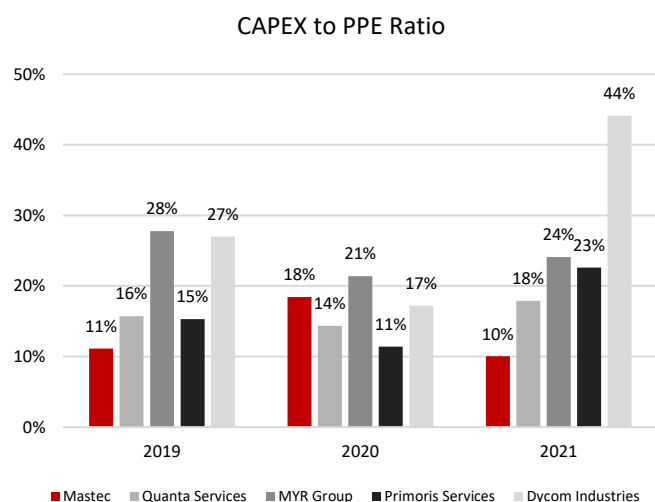
Source: FactSet

The telecommunications industry may require more equipment, and the inputs could be more expensive. Therefore, Dycom and Mastec would need to take on larger amounts of debt to finance these projects. Mastec is also in the process of changing its capital structure. They are repurchasing shares and financing it through debt to level out their capital structure¹.

CAPEX to PPE Ratio

Looking at capital expenditures as a percentage of PPE is a good indicator of how capital intensive and capital reliant a company is. The higher the ratio of capital expenditure to PPE, the more sensitive it may be to interest rate changes and commodity price fluctuations. The bar chart below compares each competitor's CAPEX to PPE ratios from 2019 to 2021. MYR Group has had the highest ratio in 2019 and 2020. However, Dycom Industries increased its ratio by 27% in 2021. Dycom fully depreciated or sold many of its PPE assets over this period which is likely the

reason for this significant uptick. Mastec’s ratio seems to move opposite of its competitors, which could be due to the timing of its contracts or differences in product mix between it and its competitors.



Source: FactSet

ECONOMIC OUTLOOK

Real GDP

Real GDP is an important metric to analyze when looking at companies within the industry as they tend to follow the business cycle. A Bloomberg survey indicated that US GDP is expected to grow by 3.6% in 2022 and 2.3% in 2023⁶. Additionally, the St. Louis Federal Reserve stated that its model predicts 1.5% GDP growth in Q1 2022⁶. Our estimates align with this number as we expect supply chain issues, inflation, and the current Russia-Ukraine conflict to lower production. However, we expect economic activity to ramp up in the next quarter as warmer weather and hopefully higher consumer sentiment will bolster construction.

Construction Spending

Construction spending is directly related to revenues for Mastec and its peers. Private non-residential spending rose 1.8% in January while public non-residential rose only .5%¹⁷. The general outlook for construction spending is grim as commodity prices are reaching all-time highs and

wage rates have risen significantly. This places downward pressure on margins as well as project starts. Public non-residential has seen little growth, and the public safety segment declined 35% YoY due to reduced need for COVID-related emergency infrastructure¹⁷. We expect spending to increase on the condition that the Russia-Ukraine conflict slows or ends and allows for the supply chain to heat up from that part of the globe. It is also imperative that the US handle inflation and slow wage growth. We expect both to happen by the 3rd quarter and the end of the year at the latest.

Interest Rates

We expect the federal reserve to implement seven rate hikes to the federal funds rate this year. We expect the next rate hike will be a 50-point hike as inflation continues to dampen real returns. Additionally, the federal reserve stated that they plan to engage in open market sales to influence the long end of the yield curve. This will increase the cost of capital for all firms. Capital-intensive industries are likely to hurt most by rising rates. Furthermore, the customers of these companies are likely to struggle to source cheap capital. This will likely hurt Mastec and its competitors.

Mastec and many other companies may refrain from issuing debt in the current interest rate environment. Although rates are rising, there is likely low demand on the other side of the book. Companies could be at risk of issuing at a significant discount if they cannot source demand for their debt.

VALUATION

Revenue and Costs

	2021	2022E	2023E	2024E	2025E
Net Revenue	7,951.80	8,522.07	9,618.41	10,498.05	11,599.22
Growth %	25.50%	7.17%	12.86%	9.15%	10.49%
	2026E	2027E	2028E	2029E	2030E
Net Revenue	12,599.07	13,568.05	14,279.72	14,938.62	15,374.76
Growth %	8.62%	7.69%	5.25%	4.61%	2.92%

Segmented growth projections can be found in the Company Description section of this report. Overall

expected revenue growth rates are listed in the previous table. We expect to see slowed revenue growth in 2022 due to forecasted declines in the oil and gas segment. In 2023 we anticipate large demand for electrical transmission infrastructure and increased clean energy generation installation projects. Thereafter, we see growth slowing to a rate consistent with the overall economy. As for costs, a detailed account of margins can be found in the Margin Analysis section of the report. Overall, we expect gross margins to remain somewhat steady throughout the forecast period. Although Mastec is attempting to increase the maintenance and upgrade side of its project mix, we expect installation projects to grow with renewable energy. Therefore, any benefits to margins from the shift in project mix will be offset by the growth in the clean energy segment. To reflect these cost assumptions, we forecasted cost of goods sold as an average of sales over the past four years. However, a slight deviation in the cost of goods sold can significantly impact our valuation. This can be seen in the following sensitivity table.

- Equity Risk Premium
- Default Premium
- Marginal Tax Rate

The risk-free rate gathered for Mastec is the yield on the 10-year US treasury as of 4/20/2022. The 10-year was chosen as it is closest to our forecast period. The Beta of 1.52 was gathered from Bloomberg and was calculated as the two-year weekly raw beta against the S&P 500. The market risk premium is the Henry Fund's expected equity risk premium. These three assumptions make up the CAPM model and provide us with Mastec's cost of equity of 10.69%. The assumptions were chosen based on the current economic and geopolitical climate. As we are currently in a rising interest rate environment, it would not be realistic to forecast a risk-free rate equal to the 3-month T-bill. This is a consequence of investors moving to shorter-duration securities in volatile interest rate environments. This significantly decreases short-term yields. Therefore, using the T-bond is more appropriate as it presents a more realistic risk-free cost of borrowing over our investment horizon.

SG&A %	DCF				COGS %			
	99.14	83.12%	83.62%	84.12%	84.62%	85.12%	85.62%	86.12%
3.6%	145.61	135.72	125.56	114.99	104.42	93.86	83.29	
3.8%	140.67	130.78	120.27	109.71	99.14	88.58	78.01	
4.1%	135.72	125.56	114.99	104.42	93.86	83.29	72.73	
4.3%	130.78	120.27	109.71	99.14	88.58	78.01	67.44	
4.6%	125.56	114.99	104.42	93.86	83.29	72.73	62.16	
4.8%	120.27	109.71	99.14	88.58	78.01	67.44	56.88	
5.1%	114.99	104.42	93.86	83.29	72.73	62.16	51.59	

Management did not provide guidance on capital expenditures, but we expect them to be closely related to the company's revenue. Industry operators usually increase capital expenditures to perform new contract obligations. Therefore, it is likely that revenue and capital expenditures would be recognized in the same period. We forecasted CAPEX by an average of its historical 3-year percentage of revenue.

Discount Rate Assumptions

Five main assumptions flow into the weighted average cost of capital. These include:

- Risk-Free Rate
- Beta

The cost of debt is calculated by adding the company's default premium to the risk-free rate to get the pre-tax cost of debt. This is then multiplied by one minus the tax rate to get a cost of debt of 4.03%. The default premium was found by regressing the company's peer group yields on outstanding debt and subtracting the risk-free rate. The marginal tax rate was carried forward at the same rate in the most recent FYE as we do not see any major corporate tax changes over the nine-year period. Multiplying the after-tax cost of debt and cost of equity by their respective weights resulted in a WACC of 8.91%.

Discounted Cash Flow Analysis (DCF)

Our DCF model resulted in an estimated share price of **\$99.14**. We are most comfortable with this model as we are very confident in the growth rates we crafted and the other inputs into the model. The DCF/EP models are calculated by discounting expected free cash flows by the company's weighted average cost of capital to present value. This gives you the present value of the company's

operating assets. Non-operating assets and cash are added back, and debt and NCI are subtracted to arrive at the equity value. The model is susceptible to its inputs. The table below represents the model's sensitivity to the risk-free rate and CV growth rate changes. Changes in the risk-free rate significantly impact the WACC, and a slight increase could drastically reduce the valuation.

DCF		CV Growth NOPLAT							
		99.14	2.25%	2.50%	2.75%	3.00%	3.25%	3.50%	3.75%
Risk Free Rate	2.13%	108.02	110.72	113.67	116.91	120.46	124.40	128.78	
	2.38%	102.59	105.00	107.62	110.47	113.61	117.06	120.87	
	2.63%	97.56	99.71	102.04	104.57	107.34	110.38	113.72	
	2.88%	92.89	94.81	96.89	99.14	101.59	104.27	107.21	
	3.13%	88.53	90.26	92.12	94.12	96.30	98.68	101.27	
	3.38%	84.47	86.02	87.68	89.48	91.42	93.53	95.82	
	3.63%	80.67	82.06	83.55	85.16	86.90	88.77	90.81	

Implied Price to Earnings/DDM

Mastec does not pay dividends and has given no indication of starting to distribute them in the future. Therefore, we calculated an implied forward P/E ratio from the theoretical dividend Mastec could pay in the CV year. The resulting price per share is **\$53.55**. The model is sensitive to its discount rate, which is the cost of equity as well as the CV growth rate of EPS. Additionally, it is exposed to the shares outstanding as decreases in percentage out will increase earnings per share. Below is a sensitivity table representing changes in treasury stock growth and CV EPS growth. We are least confident in this valuation model as Mastec does not pay a dividend, and it only discounts the lump sum in the CV year to value the company's equity.

DDM		CV Growth of EPS							
		53.55	2.25%	2.50%	2.75%	3.00%	3.25%	3.50%	3.75%
Treasury Stock Growth	5.0%	51.37	51.52	51.67	51.83	52.01	52.20	52.40	
	10.0%	51.78	51.94	52.12	52.30	52.50	52.71	52.94	
	15.0%	52.27	52.46	52.65	52.87	53.09	53.34	53.59	
	20.0%	52.86	53.08	53.31	53.55	53.81	54.09	54.39	
	25.0%	53.58	53.83	54.10	54.38	54.69	55.01	55.36	
	30.0%	54.46	54.75	55.06	55.40	55.75	56.13	56.53	
	35.0%	55.53	55.87	56.24	56.63	57.04	57.49	57.96	

Relative Valuation

We calculated the relative value of Mastec based on the implied relative next twelve months' price to earnings. After averaging multiples for Mastec's peer group, it was determined that Mastec should be trading at **\$107.21** per share or 23.64-times earnings. We believe this value to be the upper bound of what someone should pay for a share

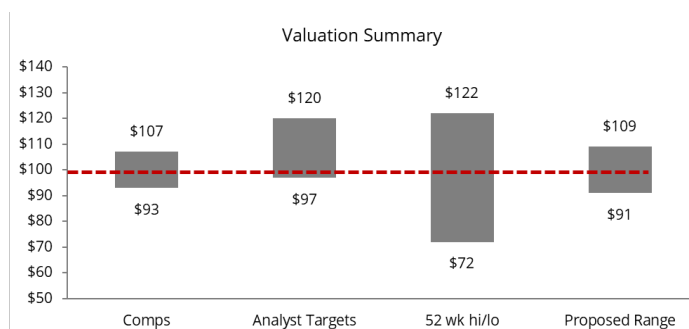
of Mastec. The valuation is market-based and consists of a few very close peers. Therefore, we believe it is a reliable model representing the upper bound of the comparable range. The implied price resulting from the median EV/LTM EBITDA of Mastec's peers was used as the lower bound of the comparable range.

Target Range

To generate our target range, we took the range of our best and worst scenarios. The scenarios involve changing three critical inputs in our model: risk-free rate, CV growth of NOPLAT, and default premium. Our worst scenario resulted in a price of \$91.11, and our best scenario resulted in a price of \$108.67. Each scenario can be seen in the table below.

Scenario	RF Rate	CV NOPLAT Growth	Default Premium	Price
Worst	3.13%	2.75%	2.75%	91.11
Base	2.88%	3.00%	2.50%	99.14
Best	2.63%	3.25%	2.25%	108.67

We are comfortable with this range as our comparable company range is not far off. The comparable range uses the relative implied price from the median EV/LTM EBITDA multiples of Mastec's peer group as the lower bound of \$93.35. The upper bound of the comparable range is the implied price resulting from the relative NTM P/E of \$107.21. Below is a valuation summary chart with the base case DCF scenario as the red dashed line equaling \$99.14. Also, pictured on the right is the proposed range of **\$91** to **\$109**.



KEYS TO MONITOR

- **Concentration of Firms:** The industry currently has a deficient concentration of firms. One thing to monitor should be M&A activity. If a company can shift its market share towards itself, it will be exceptionally well-positioned to drive price within the industry.
- **Product Mix:** Companies within the industry usually offer installation and maintenance/upgrade services. Installation service contracts typically carry the highest margin risk as they are fixed-price contracts. Alternatively, maintenance and upgrade projects are usually sourced through master service agreements. These agreements will be long-standing, have predefined terms, and may guarantee some margin on future projects. These carry the least margin risk; therefore, companies that shift toward a more upgrade and maintenance project mix will have less risk.
- **Supply Chain:** The current geopolitical climate and COVID-19 has wreaked havoc on supply chains. If supply chain issues persist, we can expect inflated commodity prices and significant wage increases within the industry. This would lower our revenue projections, putting downward pressure on our target range.
- **Interest Rates:** Rising interest rates cause increases in company discount rates. This lowers valuations for all companies.
- **Energy Regulation:** If regulations are put in place to reduce the use of petroleum, it could cause current projects within Mastec's oil and gas segment to be halted and payment returned. This would have highly negative impacts on margins and share price. Regulations could also work in the opposite direction and boost revenues for clean energy.

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8. Quanta Services Investor Presentation 12/09/2021
9. Quanta Services 10-K 2021 FYE
10. International Monetary Fund
11. IBISWorld, Transmission Line Construction in the US
12. Statista
13. National Conference of State Legislatures
14. [Investopedia](#)
15. [Thomson Reuters](#)
16. Henkels.com
17. [Associated Builders and Contractors](#)
18. [US Energy Information Administration](#)
19. Sustainalytics
20. [Marsh McLennan](#)

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2. ATT 4Q Jan. 2022 release
3. [Wall Street Journal Dish Network](#)

Mastec, Inc.

Revenue Decomposition

<i>Fiscal Years Ending Dec. 31</i>	2019	2020	2021	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Communications	2,618.8	2,512.2	2,551.10	2,755.19	3,058.26	3,302.92	3,550.64	3,808.06	4,065.10	4,237.87	4,375.60	4,484.99
Growth %	2.42%	-4.07%	1.55%	8.00%	11.00%	8.00%	7.50%	7.25%	6.75%	4.25%	3.25%	2.50%
Oil & Gas	3,117.2	1,789.8	2,540.50	1,778.35	1,916.17	2,050.30	2,193.83	2,248.67	2,299.27	2,345.25	2,392.16	2,440.00
Growth %	-5.21%	-42.58%	41.94%	-30.00%	7.75%	7.00%	7.00%	2.50%	2.25%	2.00%	2.00%	2.00%
Clean Energy & Industrial	1,034.3	1,526.9	1,865.00	2,107.45	2,386.69	2,673.09	3,074.05	3,504.42	3,942.47	4,228.30	4,503.14	4,672.01
Growth %	55.53%	47.63%	22.14%	13.00%	13.25%	12.00%	15.00%	14.00%	12.50%	7.25%	6.50%	3.75%
Electrical Transmission	413.9	506.5	1,016.80	1,881.08	2,257.30	2,471.74	2,780.71	3,037.92	3,261.21	3,468.30	3,667.72	3,777.75
Growth %	4.18%	22.37%	100.75%	85.00%	20.00%	9.50%	12.50%	9.25%	7.35%	6.35%	5.75%	3.00%
Other/eliminations	0.2	0.6	(21.60)									
Growth %	-94.29%	200.00%										
Net Revenue	7,184.40	6,336.00	7,951.80	8,522.07	9,618.41	10,498.05	11,599.22	12,599.07	13,568.05	14,279.72	14,938.62	15,374.76
Growth %	3.95%	-11.81%	25.50%	7.17%	12.86%	9.15%	10.49%	8.62%	7.69%	5.25%	4.61%	2.92%

Historical Segments

Mastec, Inc.

Income Statement

Fiscal Years Ending Dec. 31	2019	2020	2021	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Revenue	7,183.19	6,320.98	7,951.8	8,522.07	9,618.41	10,498.05	11,599.22	12,599.07	13,568.05	14,279.72	14,938.62	15,374.76
Costs of revenue, excluding depreciation & amortization	6,070.24	5,270.88	6,805.7	7,211.18	8,138.88	8,883.21	9,814.99	10,661.04	11,480.97	12,083.17	12,640.71	13,009.76
Gross Margin	1,112.94	1,050.10	1,146.1	1,310.89	1,479.54	1,614.85	1,784.23	1,938.03	2,087.08	2,196.55	2,297.91	2,365.00
Operating Expenses and Income												
Depreciation	212.49	258.84	345.6	404.69	393.80	399.26	413.82	437.61	466.79	499.49	531.58	562.60
Amortization of intangible assets	23.00	38.91	77.2	25.40	19.70	15.30	11.70	9.12	7.11	5.54	4.32	3.37
Goodwill & intangible asset impairment	3.32	-	-	0	0	0	0	0	0	0	0	0
General & administrative expenses	299.50	319.19	307.0	367.24	414.49	452.40	499.85	542.94	584.69	615.36	643.76	662.55
Operating Income	577.96	433.15	416.3	513.56	651.54	747.89	858.86	948.37	1,028.49	1,076.17	1,118.25	1,136.47
Interest income (expense), net	(77.03)	(59.63)	(53.4)	(97.97)	(88.17)	(91.85)	(75.63)	(74.11)	(66.61)	(57.91)	(46.59)	(34.30)
Equity in earnings (loss) of unconsolidated affiliates	27.37	29.74	33.8	29.74	29.74	29.74	29.74	29.74	29.74	29.74	29.74	29.74
Gain (loss) on extinguishment of debt	-	(5.57)	-	0	0	0	0	0	0	0	0	0
Other income (expense), net	(14.05)	27.47	33.4	0	0	0	0	0	0	0	0	0
Income before income taxes	510.94	425.16	430.1	445.32	593.11	685.79	812.97	904.00	991.62	1,047.99	1,101.40	1,131.91
Provision (benefit) for income taxes	116.84	102.47	99.3	111.78	148.87	172.13	204.06	226.90	248.90	263.05	276.45	284.11
Net income (loss)	394.10	322.70	330.7	333.55	444.24	513.65	608.92	677.10	742.72	784.95	824.95	847.80
Net income (loss) attributable to non-controlling interests	(1.76)	0.15	(1.9)	-	-	-	-	-	-	-	-	-
Net income (loss) attributable to MasTec, Inc.	392.33	322.85	328.8	333.55	444.24	513.65	608.92	677.10	742.72	784.95	824.95	847.80
Weighted average shares outstanding - basic	75.19	72.80	72.5	76.14	75.58	75.03	74.43	73.78	73.08	72.32	71.50	70.60
Year end shares outstanding	76.57	74.17	76.4	75.84	75.32	74.74	74.12	73.45	72.72	71.93	71.07	70.14
Net income (loss) per share - basic	5.22	4.43	4.54	4.38	5.88	6.85	8.18	9.18	10.16	10.85	11.54	12.01
Dividends per share	-	-	-	-	-	-	-	-	-	-	-	-
	58.18	(15.13)	2.4	(3.41)	34.17	16.48	19.50	12.17	10.75	6.80	6.31	4.07

Mastec, Inc.
Balance Sheet

Fiscal Years Ending Dec. 31	2019	2020	2021	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Assets												
Cash and cash equivalents	71.43	423.12	360.7	485.84	1,158.14	1,172.80	1,807.32	2,316.91	2,870.49	3,465.84	4,083.54	4,717.71
Accounts receivable, net of allowance	850.33	784.49	1,019.3	996.71	1,124.94	1,227.82	1,356.61	1,473.55	1,586.87	1,670.11	1,747.17	1,798.18
Contract assets	1,024.57	969.74	1,227.9	1,346.01	1,519.17	1,658.10	1,832.03	1,989.95	2,142.99	2,255.39	2,359.46	2,428.35
Inventories, net	100.07	89.65	92.6	119.77	135.17	147.54	163.01	177.06	190.68	200.68	209.94	216.07
Prepaid expenses	52.00	60.63	91.5	77.81	87.82	95.85	105.91	115.04	123.88	130.38	136.40	140.38
Other current assets	75.17	31.39	81.9	22.44	24.91	26.90	28.92	31.01	33.11	34.52	35.64	36.53
Total current assets	2,173.56	2,359.02	2,874.0	3,048.58	4,050.15	4,329.01	5,293.79	6,103.52	6,948.03	7,756.93	8,572.15	9,337.22
Property and equipment, net	905.84	982.33	1,436.1	1,397.45	1,416.80	1,468.48	1,552.89	1,656.46	1,772.47	1,886.36	1,996.45	2,094.26
Operating lease assets	229.90	176.57	260.4	142.74	149.88	157.38	165.24	173.51	182.18	191.29	200.86	210.90
Goodwill, net	1,221.44	1,243.03	1,520.6	1,520.6	1,520.6	1,520.6	1,520.6	1,520.6	1,520.6	1,520.6	1,520.6	1,520.6
Other intangible assets, net	211.53	184.04	670.3	644.88	625.18	609.88	598.18	589.06	581.95	576.41	572.09	568.72
Other long-term assets	254.74	282.86	360.1	345.52	389.97	425.63	470.28	510.82	550.10	578.96	605.67	623.35
Total assets	4,997.01	5,227.85	7,121.4	7,099.75	8,152.56	8,510.95	9,600.96	10,553.94	11,555.31	12,510.51	13,467.79	14,355.02
Liabilities												
Current portion of long-term debt, including finance leases	118.43	145.11	137.9	66.5	389.2	0.4	185.51	196.06	206.72	215.29	223.37	229.40
Current portion of operating lease liabilities	81.56	72.48	95.4	54.62	57.35	60.22	63.23	66.39	69.71	73.19	76.85	80.69
Accounts payable	535.03	571.27	663.1	735.40	830.00	905.91	1,000.93	1,087.21	1,170.83	1,232.24	1,289.10	1,326.74
Accrued salaries and wages	87.56	135.32	203.1	153.83	173.62	189.49	209.37	227.42	244.91	257.75	269.65	277.52
Other accrued expenses	115.58	187.65	229.9	200.16	225.91	246.57	272.43	295.91	318.67	335.38	350.86	361.10
Contract Liabilities	206.18	228.39	314.0	351.35	396.55	432.81	478.21	519.43	559.38	588.72	615.89	633.87
Other current liabilities	74.78	74.99	141.2	145.22	149.40	153.70	158.13	162.69	167.37	172.19	177.15	182.25
Total current liabilities	1,219.13	1,415.20	1,784.6	1,707.06	2,222.02	1,989.10	2,367.81	2,555.11	2,737.59	2,874.77	3,002.87	3,091.57
Long-term debt, including finance leases	1,314.03	1,157.63	1,876.2	1,832.54	1,937.96	2,033.20	2,159.41	2,282.26	2,406.33	2,506.03	2,600.12	2,670.24
Long-term operating lease liabilities	154.55	116.51	176.4	95.07	99.83	104.82	110.06	115.56	121.34	127.41	133.78	140.47
Deferred income taxes	296.33	302.94	450.4	342.23	369.93	401.96	439.94	482.16	528.48	577.43	628.88	681.75
Other long-term liabilities	221.28	230.05	290.0	298.31	306.90	315.74	324.84	334.19	343.81	353.72	363.90	374.38
Total liabilities	3,205.31	3,222.32	4,577.5	4,275.21	4,936.64	4,844.83	5,402.05	5,769.29	6,137.55	6,439.36	6,729.55	6,958.41
Stockholder's Equity												
Preferred stock												
Common stock	818.94	846.76	1,043.2	1,043.2	1,043.2	1,043.2	1,043.2	1,043.2	1,043.2	1,043.2	1,043.2	1,043.2
Retained earnings / accumulated deficit	1,510.71	1,833.56	2,162.4	2,495.94	2,940.17	3,453.83	4,062.74	4,739.84	5,482.56	6,267.50	7,092.45	7,940.26
Accumulated other comprehensive loss	(75.71)	(91.44)	(78.8)	(78.8)	(78.8)	(78.8)	(78.8)	(78.8)	(78.8)	(78.8)	(78.8)	(78.8)
Treasury stock, at cost	(466.73)	(586.96)	(587.0)	(639.82)	(692.69)	(756.13)	(832.26)	(923.61)	(1,033.23)	(1,164.78)	(1,322.64)	(1,512.07)
Total MasTec, Inc. shareholders' equity	1,787.22	2,001.92	2,539.8	2,820.49	3,211.86	3,662.07	4,194.86	4,780.60	5,413.70	6,067.10	6,734.19	7,392.56
Non-controlling interests	4.47	3.60	4.1	4.1	4.1	4.1	4.1	4.1	4.1	4.1	4.1	4.1
Total equity	1,791.69	2,005.53	2,543.9	2,824.54	3,215.91	3,666.13	4,198.91	4,784.66	5,417.75	6,071.15	6,738.24	7,396.61
Total liabilities and equity	4,997.01	5,227.85	7,121.4	7,099.75	8,152.56	8,510.95	9,600.96	10,553.94	11,555.31	12,510.51	13,467.79	14,355.02

Mastec, Inc.
Historical Cash Flow Statement

Fiscal Years Ending Dec. 31	2018	2019	2020
Operating Activities			
Net income	259.23	394.10	322.70
Adjustments to reconcile net loss / income to net cash provided by / used in operating activities			
Depreciation	192.33	212.49	258.84
Amortization of intangible assets	20.60	23.00	38.91
Unknown Depreciation and Amortization			
Goodwill and intangible asset impairment	47.66	3.32	
Non-cash interest expense, net	2.58	3.22	2.99
Non-cash stock-based compensation expense	13.53	16.45	21.88
Benefit from / provision for deferred income taxes	56.21	22.16	7.18
Provision for losses on construction projects, net			
Provision for losses on operating assets			
Equity in earnings of unconsolidated affiliates	(23.86)	(27.37)	(29.74)
Gains / losses on sales of assets	(16.05)	(13.91)	(16.21)
Other non-cash items, net	8.91	(2.77)	21.78
Impairment of securities available for sale			
Earnings / losses on equity method investments			
Non-cash change in estimated fair value of acquisition-related contingent consideration			
Gain on remeasurement of equity interest in acquiree			
Changes in assets and liabilities, net of acquisitions			
Accounts receivable, net of allowance and contract assets	(335.20)	113.06	150.68
Inventories	(29.37)	24.05	17.90
Deferred tax assets and liabilities, net			
Other assets, current and long-term portion	28.71	10.18	20.49
Accounts payable and accrued expenses	251.74	(228.14)	94.07
Contract Liabilities	28.41	(52.22)	21.33
Other liabilities, current and long-term portion	24.52	52.66	4.47
Net cash provided by / used in operating activities	529.96	550.28	937.25
Investing Activities			
Cash paid for acquisitions, net of cash acquired	(6.68)	(179.48)	(24.97)
Proceeds from disposal of business, net of cash divested			
Capital expenditures	(180.42)	(126.47)	(213.75)
Proceeds from sale of property and equipment	39.36	35.01	37.08
Payments from other investments, net excluding proceeds from sale or redemption of investments and investments in life insurance policies	(39.47)	(5.59)	(17.46)
Proceeds from other investments, net	5.42	14.71	0.65
Investments in life insurance policies			
Other investing activities, net			1.84
Net cash used in / provided by investing activities	(181.80)	(261.82)	(216.60)
Financing Activities			
Proceeds from credit facilities	3,418.23	3,025.93	1,434.61
Repayments of credit facilities	(3,359.52)	(3,126.59)	(1,741.07)
Proceeds from other borrowings and overdrafts incurred			
Proceeds from issuance of senior notes			600.00
Repayment of senior notes, including convertible notes			(400.00)
Payments of capital lease obligations	(72.17)	(88.34)	(126.99)
Payments of acquisition-related contingent consideration	(15.93)	(34.27)	(10.10)
Payments to non-controlling interests, including acquisition of interests and distributions	(0.56)	0.58	(0.72)
Proceeds from stock-based awards		4.66	7.09
Payments for stock-based awards		(0.05)	(0.64)
Repayments of other borrowings	(17.43)	(12.44)	(0.06)
Proceeds from stock-based awards, net of tax withholdings	0.23		
Excess tax benefit from stock-based compensation			
Repurchase of common stock	(313.95)	(5.65)	(120.23)
Other financing activities, net		(8.46)	(11.79)
Net cash used in / provided by financing activities	(361.09)	(244.63)	(369.89)
Effect of currency translation on cash	0.03	0.18	0.93
Net increase / decrease in cash and cash equivalents	(12.90)	44.01	351.69
Cash and cash equivalents - beginning of period	40.33	27.42	71.43
Cash and cash equivalents - end of period	27.42	71.43	423.12

Mastec, Inc.
Forecasted Cash Flow Statement

Fiscal Years Ending Dec. 31	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Net Income	333.55	444.24	513.65	608.92	677.10	742.72	784.95	824.95	847.80
ADD: Depreciation	404.69	393.80	399.26	413.82	437.61	466.79	499.49	531.58	562.60
ADD: Amortization	25.40	19.70	15.30	11.70	9.12	7.11	5.54	4.32	3.37
Change in Operating WC									
Accounts Receivable	22.61	(128.22)	(102.88)	(128.79)	(116.94)	(113.33)	(83.23)	(77.06)	(51.01)
Inventory	(27.17)	(15.41)	(12.36)	(15.48)	(14.05)	(13.62)	(10.00)	(9.26)	(6.13)
Prepaid expenses	13.68	(10.01)	(8.03)	(10.05)	(9.13)	(8.85)	(6.50)	(6.02)	(3.98)
Contract Assets	(118.08)	(173.16)	(138.93)	(173.92)	(157.92)	(153.04)	(112.40)	(104.07)	(68.88)
Other Current Assets	59.44	(2.47)	(1.99)	(2.02)	(2.10)	(2.09)	(1.41)	(1.12)	(0.89)
Accounts payable	72.33	94.61	75.91	95.02	86.28	83.62	61.41	56.86	37.64
Accrued salaries and wages	(49.32)	19.79	15.88	19.88	18.05	17.49	12.85	11.89	7.87
Other accrued expenses	(29.78)	25.75	20.66	25.86	23.48	22.76	16.71	15.48	10.24
Contract liabilities	37.38	45.20	36.27	45.40	41.22	39.95	29.34	27.17	17.98
Deferred Tax Liabilities	-108	28	32	38	42	46	49	51	53
CF From Operations	636.60	741.52	844.75	928.31	1,034.95	1,135.83	1,245.69	1,326.16	1,409.48
Capital Expenditures	(366.06)	(413.15)	(450.93)	(498.23)	(541.18)	(582.80)	(613.37)	(641.67)	(660.41)
Operating Lease Assets	117.67	(7.14)	(7.49)	(7.87)	(8.26)	(8.68)	(9.11)	(9.56)	(10.04)
Other Long-Term Assets	14.57	(44.45)	(35.66)	(44.65)	(40.54)	(39.29)	(28.85)	(26.71)	(17.68)
Other Long-Term Liabilities	8.35	8.59	8.84	9.09	9.35	9.62	9.90	10.19	10.48
Other Current Liabilities	4.07	4.18	4.30	4.43	4.55	4.69	4.82	4.96	5.10
CF From Investing Activities	(221.41)	(451.96)	(480.95)	(537.23)	(576.07)	(616.45)	(636.61)	(662.81)	(672.55)
Current Portion of LTD	(71.41)	322.70	(388.80)	185.11	10.55	10.66	8.57	8.08	6.02
Current Portion of Operating Lease L	(40.81)	2.73	2.87	3.01	3.16	3.32	3.49	3.66	3.84
Long-Term Debt	(43.70)	105.43	95.24	126.20	122.85	124.07	99.70	94.09	70.12
Operating Lease Liabilities	(81.31)	4.75	4.99	5.24	5.50	5.78	6.07	6.37	6.69
Treasury Stock Repurchases	(52.87)	(52.87)	(63.44)	(76.13)	(91.35)	(109.62)	(131.55)	(157.86)	(189.43)
CF from Financing Activities	(290.09)	382.75	(349.14)	243.44	50.72	34.20	(13.73)	(45.66)	(102.76)
Change in Net Cash	125.11	672.30	14.66	634.52	509.59	553.57	595.35	617.69	634.17
Cash At Beginning of Year	360.74	485.84	1,158.14	1,172.80	1,807.32	2,316.91	2,870.49	3,465.84	4,083.54

Mastec, Inc.

Common Size Income Statement

Fiscal Years Ending Dec. 31	2019	2020	2021	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
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%
Costs of revenue, excluding depreciation & amortization	84.51%	83.39%	85.59%	84.62%	84.62%	84.62%	84.62%	84.62%	84.62%	84.62%	84.62%	84.62%
Gross Margin	15.49%	16.61%	14.41%	15.38%	15.38%	15.38%	15.38%	15.38%	15.38%	15.38%	15.38%	15.38%
Operating Expenses and Income			0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Depreciation	2.96%	4.09%	4.35%	4.75%	4.09%	3.80%	3.57%	3.47%	3.44%	3.50%	3.56%	3.66%
Amortization of intangible assets	0.32%	0.62%	0.97%	0.30%	0.20%	0.15%	0.10%	0.07%	0.05%	0.04%	0.03%	0.02%
Goodwill & intangible asset impairment	0.05%	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	4.17%	5.05%	3.86%	4.31%	4.31%	4.31%	4.31%	4.31%	4.31%	4.31%	4.31%	4.31%
Operating Income	8.05%	6.85%	5.23%	6.03%	6.77%	7.12%	7.40%	7.53%	7.58%	7.54%	7.49%	7.39%
Interest income (expense), net	-1.07%	-0.94%	-0.67%	-1.15%	-0.92%	-0.87%	-0.65%	-0.59%	-0.49%	-0.41%	-0.31%	-0.22%
Equity in earnings (loss) of unconsolidated affiliates	0.38%	0.47%	0.43%	0.35%	0.31%	0.28%	0.26%	0.24%	0.22%	0.21%	0.20%	0.19%
Gain (loss) on extinguishment of debt	0.00%	-0.09%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Other income (expense), net	-0.20%	0.43%	0.42%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Income before income taxes	7.11%	6.73%	5.41%	5.23%	6.17%	6.53%	7.01%	7.18%	7.31%	7.34%	7.37%	7.36%
Provision (benefit) for income taxes	1.63%	1.62%	1.25%	1.31%	1.55%	1.64%	1.76%	1.80%	1.83%	1.84%	1.85%	1.85%
Net income (loss)	5.49%	5.11%	4.16%	3.91%	4.62%	4.89%	5.25%	5.37%	5.47%	5.50%	5.52%	5.51%
Net income (loss) attributable to non-controlling interests	-0.02%	0.00%	-0.02%	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.	5.46%	5.11%	4.14%	3.91%	4.62%	4.89%	5.25%	5.37%	5.47%	5.50%	5.52%	5.51%

Mastec, Inc.
Common Size Balance Sheet

Fiscal Years Ending Dec. 31	2019	2020	2021	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Assets												
Cash and cash equivalents	0.99%	6.69%	4.54%	5.70%	12.04%	11.17%	15.58%	18.39%	21.16%	24.27%	27.34%	30.68%
Accounts receivable, net of allowance	11.84%	12.41%	12.82%	11.70%	11.70%	11.70%	11.70%	11.70%	11.70%	11.70%	11.70%	11.70%
Contract assets	14.26%	15.34%	15.44%	15.79%	15.79%	15.79%	15.79%	15.79%	15.79%	15.79%	15.79%	15.79%
Inventories, net	1.39%	1.42%	1.16%	1.41%	1.41%	1.41%	1.41%	1.41%	1.41%	1.41%	1.41%	1.41%
Prepaid expenses	0.72%	0.96%	1.15%	0.91%	0.91%	0.91%	0.91%	0.91%	0.91%	0.91%	0.91%	0.91%
Other current assets	1.05%	0.50%	1.03%	0.26%	0.26%	0.26%	0.25%	0.25%	0.24%	0.24%	0.24%	0.24%
Total current assets	30.26%	37.32%	36.14%	35.77%	42.11%	41.24%	45.64%	48.44%	51.21%	54.32%	57.38%	60.73%
Property and equipment, net	12.61%	15.54%	18.06%	16.40%	14.73%	13.99%	13.39%	13.15%	13.06%	13.21%	13.36%	13.62%
Operating lease assets	3.20%	2.79%	3.27%	1.67%	1.56%	1.50%	1.42%	1.38%	1.34%	1.34%	1.34%	1.37%
Goodwill, net	17.00%	19.67%	19.12%	17.84%	15.81%	14.48%	13.11%	12.07%	11.21%	10.65%	10.18%	9.89%
Other intangible assets, net	2.94%	2.91%	8.43%	7.57%	6.50%	5.81%	5.16%	4.68%	4.29%	4.04%	3.83%	3.70%
Other long-term assets	3.55%	4.47%	4.53%	4.05%	4.05%	4.05%	4.05%	4.05%	4.05%	4.05%	4.05%	4.05%
Total assets	69.57%	82.71%	89.56%	83.31%	84.76%	81.07%	82.77%	83.77%	85.17%	87.61%	90.15%	93.37%
Liabilities												
Current portion of long-term debt, including finance leases	1.65%	2.30%	1.73%	0.78%	4.05%	0.00%	1.60%	1.56%	1.52%	1.51%	1.50%	1.49%
Current portion of operating lease liabilities	1.14%	1.15%	1.20%	0.64%	0.60%	0.57%	0.55%	0.53%	0.51%	0.51%	0.51%	0.52%
Accounts payable	7.45%	9.04%	8.34%	8.63%	8.63%	8.63%	8.63%	8.63%	8.63%	8.63%	8.63%	8.63%
Accrued salaries and wages	1.22%	2.14%	2.55%	1.81%	1.81%	1.81%	1.81%	1.81%	1.81%	1.81%	1.81%	1.81%
Other accrued expenses	1.61%	2.97%	2.89%	2.35%	2.35%	2.35%	2.35%	2.35%	2.35%	2.35%	2.35%	2.35%
Contract Liabilities	2.87%	3.61%	3.95%	4.12%	4.12%	4.12%	4.12%	4.12%	4.12%	4.12%	4.12%	4.12%
Other current liabilities	1.04%	1.19%	1.78%	1.70%	1.55%	1.46%	1.36%	1.29%	1.23%	1.21%	1.19%	1.19%
Total current liabilities	16.97%	22.39%	22.44%	20.03%	23.10%	18.95%	20.41%	20.28%	20.18%	20.13%	20.10%	20.11%
Long-term debt, including finance leases	18.29%	18.31%	23.60%	21.50%	20.15%	19.37%	18.62%	18.11%	17.74%	17.55%	17.41%	17.37%
Long-term operating lease liabilities	2.15%	1.84%	2.22%	1.12%	1.04%	1.00%	0.95%	0.92%	0.89%	0.89%	0.90%	0.91%
Deferred income taxes	4.13%	4.79%	5.66%	4.02%	3.85%	3.83%	3.79%	3.83%	3.90%	4.04%	4.21%	4.43%
Other long-term liabilities	3.08%	3.64%	3.65%	3.50%	3.19%	3.01%	2.80%	2.65%	2.53%	2.48%	2.44%	2.44%
Total liabilities	44.62%	50.98%	57.57%	50.17%	51.32%	46.15%	46.57%	45.79%	45.24%	45.09%	45.05%	45.26%
Stockholder's Equity												
Preferred stock	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Common stock	11.40%	13.40%	13.12%	12.24%	10.85%	9.94%	8.99%	8.28%	7.69%	7.31%	6.98%	6.78%
Retained earnings / accumulated deficit	21.03%	29.01%	27.19%	29.29%	30.57%	32.90%	35.03%	37.62%	40.41%	43.89%	47.48%	51.64%
Accumulated other comprehensive loss	-1.05%	-1.45%	-0.99%	-0.92%	-0.82%	-0.75%	-0.68%	-0.63%	-0.58%	-0.55%	-0.53%	-0.51%
Treasury stock, at cost	-6.50%	-9.29%	-7.38%	-7.51%	-7.20%	-7.20%	-7.18%	-7.33%	-7.62%	-8.16%	-8.85%	-9.83%
Total MasTec, Inc. shareholders' equity	24.88%	31.67%	31.94%	33.10%	33.39%	34.88%	36.17%	37.94%	39.90%	42.49%	45.08%	48.08%
Non-controlling interests	0.06%	0.06%	0.05%	0.05%	0.04%	0.04%	0.03%	0.03%	0.03%	0.03%	0.03%	0.03%
Total equity	24.94%	31.73%	31.99%	33.14%	33.43%	34.92%	36.20%	37.98%	39.93%	42.52%	45.11%	48.11%
Total liabilities and equity	69.57%	82.71%	89.56%	83.31%	84.76%	81.07%	82.77%	83.77%	85.17%	87.61%	90.15%	93.37%

Mastec, Inc.
Value Driver Estimation

Fiscal Years Ending Dec. 31	2019	2020	2021	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
NOPLAT:												
Revenue	7,183.19	6,320.98	7,951.80	8,522.07	9,618.41	10,498.05	11,599.22	12,599.07	13,568.05	14,279.72	14,938.62	15,374.76
Cost of Revenues	6,070.24	5,270.88	6,805.73	7,211.18	8,138.88	8,883.21	9,814.99	10,661.04	11,480.97	12,083.17	12,640.71	13,009.76
Depreciation	212.49	258.84	345.61	404.69	393.80	399.26	413.82	437.61	466.79	499.49	531.58	562.60
Amortization	23.00	38.91	77.21	25.40	19.70	15.30	11.70	9.12	7.11	5.54	4.32	3.37
General and Administrative Expenses	299.50	319.19	306.97	367.24	414.49	452.40	499.85	542.94	584.69	615.36	643.76	662.55
Plus implied interest on operating leases	11.33	12.37	9.50	14.01	7.68	8.06	8.47	8.89	9.33	9.80	10.29	10.81
EBITA	589.29	445.52	425.77	527.57	659.22	755.96	867.33	957.26	1,037.82	1,085.97	1,128.55	1,147.28
Adjusted Taxes												
Provision for income taxes	116.84	102.47	99.35	111.78	148.87	172.13	204.06	226.90	248.90	263.05	276.45	284.11
ADD: Tax shield on interest expense	18.79	14.97	13.41	24.59	22.13	23.05	18.98	18.60	16.72	14.54	11.69	8.61
ADD: Tax on impairment	0.81	-	-	-	-	-	-	-	-	-	-	-
LESS: Gain(loss) on extinguishment of debt	-	1.40	-	-	-	-	-	-	-	-	-	-
LESS: Equity in earnings (loss) of unconsolidated affiliates	(6.68)	(7.46)	(8.49)	(7.46)	(7.46)	(7.46)	(7.46)	(7.46)	(7.46)	(7.46)	(7.46)	(7.46)
LESS: Other Income (expense)	3.43	(6.90)	(8.39)	-	-	-	-	-	-	-	-	-
ADD: Tax on implied interest of operating leases	2.76	3.10	2.38	3.52	1.93	2.02	2.13	2.23	2.34	2.46	2.58	2.71
Adjusted Taxes	135.96	107.57	98.26	132.42	165.46	189.75	217.70	240.27	260.49	272.58	283.26	287.97
Change in Deferred Taxes	32.64	6.61	147.42	(108.13)	27.70	32.03	37.97	42.23	46.32	48.95	51.45	52.87
NOPLAT	485.97	344.56	474.93	287.01	521.46	598.24	687.60	759.21	823.65	862.34	896.73	912.18
MTR	24.40%	25.10%	25.10%	25.10%	25.10%	25.10%	25.10%	25.10%	25.10%	25.10%	25.10%	25.10%
Invested Capital (IC):												
Operating CA												
Normal Cash	46.13	40.59	51.06	54.73	61.77	67.42	74.49	80.91	87.13	91.70	95.93	98.73
Accounts Receivable	850.33	784.49	1,019.32	996.71	1,124.94	1,227.82	1,356.61	1,473.55	1,586.87	1,670.11	1,747.17	1,798.18
Inventory	100.07	89.65	92.60	119.77	135.17	147.54	163.01	177.06	190.68	200.68	209.94	216.07
Prepaid expenses	52.00	60.63	91.49	77.81	87.82	95.85	105.91	115.04	123.88	130.38	136.40	140.38
Contract Assets	1,024.57	969.74	1,227.93	1,346.01	1,519.17	1,658.10	1,832.03	1,989.95	2,142.99	2,255.39	2,359.46	2,428.35
Other Current Assets	75.17	31.39	81.88	22.44	24.91	26.90	28.92	31.01	33.11	34.52	35.64	36.53
Non interest-bearing CL												
Accounts payable	535.03	571.27	663.06	735.40	830.00	905.91	1,000.93	1,087.21	1,170.83	1,232.24	1,289.10	1,326.74
Accrued salaries and wages	87.56	135.32	203.14	153.83	173.62	189.49	209.37	227.42	244.91	257.75	269.65	277.52
Other accrued expenses	115.58	187.65	229.94	200.16	225.91	246.57	272.43	295.91	318.67	335.38	350.86	361.10
Contract liabilities	206.18	228.39	313.97	351.35	396.55	432.81	478.21	519.43	559.38	588.72	615.89	633.87
Net Working Capital	1,203.91	853.87	1,154.18	1,176.74	1,327.71	1,448.85	1,600.02	1,737.54	1,870.88	1,968.68	2,059.05	2,119.02
Net PPE	905.84	982.33	1,436.09	1,397.45	1,416.80	1,468.48	1,552.89	1,656.46	1,772.47	1,886.36	1,996.45	2,094.26
Other intangible assets,net	211.53	184.04	670.28	644.88	625.18	609.88	598.18	589.06	581.95	576.41	572.09	568.72
PV of operating leases	229.90	176.57	260.41	142.74	149.88	157.38	165.24	173.51	182.18	191.29	200.86	210.90
Invested Capital	2,551.17	2,196.81	3,520.95	3,361.82	3,519.57	3,684.58	3,916.33	4,156.57	4,407.48	4,622.74	4,828.44	4,992.89
Free Cash Flow (FCF):												
NOPLAT	485.97	344.56	474.93	287.01	521.46	598.24	687.60	759.21	823.65	862.34	896.73	912.18
Change in IC	357.50	(354.36)	1,324.14	(159.14)	157.75	165.01	231.75	240.24	250.91	215.25	205.71	164.44
FCF	128.47	698.92	(849.21)	446.15	363.71	433.23	455.85	518.97	572.73	647.09	691.02	747.74
Return on Invested Capital (ROIC):												
NOPLAT	485.97	344.56	474.93	287.01	521.46	598.24	687.60	759.21	823.65	862.34	896.73	912.18
Beginning IC	2,193.68	2,551.17	2,196.81	3,520.95	3,361.82	3,519.57	3,684.58	3,916.33	4,156.57	4,407.48	4,622.74	4,828.44
ROIC	22.15%	13.51%	21.62%	8.15%	15.51%	17.00%	18.66%	19.39%	19.82%	19.57%	19.40%	18.89%
Economic Profit (EP):												
Beginning IC	2,193.68	2,551.17	2,196.81	3,520.95	3,361.82	3,519.57	3,684.58	3,916.33	4,156.57	4,407.48	4,622.74	4,828.44
x (ROIC - WACC)	13.24%	4.59%	12.71%	-0.76%	6.60%	8.09%	9.75%	10.47%	10.90%	10.65%	10.49%	9.98%
EP	290.48	117.21	279.16	(26.76)	221.87	284.59	359.25	410.20	453.23	469.56	484.76	481.89

Mastec, Inc.*Weighted Average Cost of Capital (WACC) Estimation***Cost of Equity:**

Risk-Free Rate	2.88%
Beta	1.52
Equity Risk Premium	5.15%
Cost of Equity	10.69%

ASSUMPTIONS:

10 year UST bond
 2 year weekly raw beta from Bloomberg
 Henry Fund ERP

Cost of Debt:

Risk-Free Rate	2.88%
Implied Default Premium	2.50%
Pre-Tax Cost of Debt	5.38%
Marginal Tax Rate	25%
After-Tax Cost of Debt	4.03%

10 year UST bond
 Spread of Cost of Debt of comparables regressed 10 year outstanding debt (bloomberg) above 10 year UST

Market Value of Common Equity:

Total Shares Outstanding	76.43
Current Stock Price	\$81.59
MV of Equity	6,235.92

MV Weights

73.27%

Market Value of Debt:

Short-Term Debt	
Current Portion of LTD	137.912
Long-Term Debt	1,876.23
PV of Operating Leases	260.41
MV of Total Debt	2,274.56

26.73%

Include all sources of debt.

Market Value of the Firm	8,510.48	100.00%
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Estimated WACC	8.91%
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Mastec, Inc.*Discounted Cash Flow (DCF) and Economic Profit (EP) Valuation Models*

Key Inputs:

CV Growth of NOPLAT	3.00%
CV Year ROIC	18.89%
WACC	8.91%
Cost of Equity	10.69%

Fiscal Years Ending Dec. 31	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
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DCF Model:

Free Cash Flow (FCF)	446.2	363.7	433.2	455.9	519.0	572.7	647.1	691.0	747.7
Continuing Value (CV)									12979.9
PV of FCF	409.6	306.6	335.4	324.0	338.7	343.2	356.0	349.1	6556.6

Value of Operating Assets:	9319.0
Non-Operating Adjustments	
Add: Excess Cash	309.7
Less: Value of Debt incl. PV Op. Leases	2274.6
Less: NCI	4.1
Less: Deferred Compensation	1.2
Value of Equity	7,348.9
Shares Outstanding	76.4
Intrinsic Value of Last FYE	\$ 96.15
Implied Price as of Today	\$ 99.14

EP Model:

Economic Profit (EP)	-26.8	221.9	284.6	359.2	410.2	453.2	469.6	484.8	481.9
Continuing Value (CV)									8151.5
PV of EP	-24.6	187.0	220.3	255.3	267.7	271.6	258.3	244.9	4117.6

Total PV of EP	5798.1
Invested Capital (last FYE)	3521.0
Value of Operating Assets:	9319.0
Non-Operating Adjustments	
Add: Excess Cash	309.7
Less: Value of Debt incl. PV Op. Leases	2274.6
Less: NCI	4.1
Less: Deferred Compensation	1.2
Value of Equity	7348.9
Shares Outstanding	76.4
Intrinsic Value of Last FYE	\$ 96.15
Implied Price as of Today	\$ 99.14

Mastec, Inc.*Dividend Discount Model (DDM) or Fundamental P/E Valuation Model*

Fiscal Years Ending Dec. 31	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
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EPS	\$ 4.38	\$ 5.88	\$ 6.85	\$ 8.18	\$ 9.18	\$ 10.16	\$ 10.85	\$ 11.54	\$ 12.01
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Key Assumptions

CV growth of EPS	3.00%
CV Year ROE	12.00%
Cost of Equity	10.69%

Future Cash Flows

P/E Multiple (CV Year)									9.75
EPS (CV Year)									\$ 12.01
Future Stock Price									\$ 117.07
Dividends Per Share	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Discounted Cash Flows									\$ 51.94

Intrinsic Value as of Last FYE	\$ 51.94
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Implied Price as of Today	\$ 53.55
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Mastec, Inc.*Relative Valuation Models*

Ticker	Company	Price	EPS		P/E 22	P/E 23	LTM		
			2022E	2023E			EV	EBITDA	Multiple
PWR	Quanta Services	\$137.84	\$3.81	4.89	36.18	28.19	23595.0	1,189.10	19.84
MYRG	MYR Group	\$93.21	\$5.18	5.55	17.99	16.79	1523.8	175.00	8.71
PRIM	Primoris Services	\$26.66	\$2.31	2.6	11.54	10.25	2041.8	356.70	5.72
J	Jacobs Engineering	\$147.41	\$6.64	7.79	22.20	18.92	22466.2	1,086.60	20.68
DY	Dycom Industries	\$94.58	\$3.28	\$5.44	28.84	17.39	3393.4	268.70	12.63
Average					23.64	18.16		10.67	12.73
MTZ	Mastec, Inc.	\$81.59	4.54	4.38	17.99	18.6	8145.8	848.59	9.60

Implied Relative Value:

P/E (EPS22)	\$ 107.21
P/E (EPS23)	\$ 79.54
LTM EV/EBITDA w/W. AVG	\$ 116.27
LTM EV/EBITDA w/Median	\$ 93.35

Mastec, Inc.*Present Value of Operating Lease Obligations*

Fiscal Years Ending Dec. 31	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Year 1	31.0	39.7	37.2	54.3	69.5	75.0	93.8	90.7	86.4	88.8	82.8
Year 2	26.8	31.8	23.4	43.8	44.3	51.8	75.4	57.3	60.4	65.9	49.2
Year 3	22.2	22.1	14.6	25.0	25.2	36.3	47.4	33.9	37.1	41.6	25.4
Year 4	11.9	13.3	7.0	12.0	13.8	18.3	27.1	19.2	21.7	20.2	16.2
Year 5	8.1	6.3	4.0	5.2	4.3	9.9	13.7	12.3	12.1	12.8	10.4
Thereafter	6.9	4.2	0.8	5.3	3.0	10.0	33.9	30.3	21.8	28.7	20.0
Total Minimum Payments	106.9	117.4	87.0	145.6	160.1	201.3	291.3	243.7	239.5	258.0	204.0
Less: Cumulative Interest	13.5	13.5	8.8	15.7	16.0	22.7	37.5	30.7	28.9	28.1	27.4
PV of Minimum Payments	93.4	103.9	78.2	129.9	144.1	178.6	253.8	213.0	210.6	229.9	176.6
Implied Interest in Year 1 Payment		5.0	5.6	4.2	7.0	7.8	9.6	13.7	11.5	11.3	12.4
Pre-Tax Cost of Debt	5.38%	5.38%	5.38%	5.38%	5.38%	5.38%	5.38%	5.38%	5.38%	5.38%	5.38%
Years Implied by Year 6 Payment	1.0	1.0	1.0	1.0	1.0	1.0	2.5	2.5	1.8	2.2	1.9
Expected Obligation in Year 6 & Beyond	6.9	4.2	0.8	5.2	3	9.9	13.7	12.3	12.1	12.8	10.4
Present Value of Lease Payments											
PV of Year 1	29.4	37.7	35.3	51.5	66.0	71.2	89.0	86.1	82.0	84.3	78.6
PV of Year 2	24.1	28.6	21.1	39.4	39.9	46.6	67.9	51.6	54.4	59.3	44.3
PV of Year 3	19.0	18.9	12.5	21.4	21.5	31.0	40.5	29.0	31.7	35.5	21.7
PV of Year 4	9.6	10.8	5.7	9.7	11.2	14.8	22.0	15.6	17.6	16.4	13.1
PV of Year 5	6.2	4.8	3.1	4.0	3.3	7.6	10.5	9.5	9.3	9.8	8.0
PV of 6 & beyond	5.0	3.1	0.6	3.9	2.2	7.3	23.8	21.3	15.6	20.3	14.3
Capitalized PV of Payments	93.4	103.9	78.2	129.9	144.1	178.6	253.8	213.0	210.6	229.90	176.57

Mastec, Inc.

Fiscal Years Ending Dec. 31	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Increase in Shares Outstanding:	17,119	17,119	17,119	17,119	17,119	17,119	17,119	17,119	17,119	17,119
Average Strike Price:	\$ 10.54	\$ 10.54	\$ 10.54	\$ 10.54	\$ 10.54	\$ 10.54	\$ 10.54	\$ 10.54	\$ 10.54	\$ 10.54
Increase in Common Stock Account:	180,397	180,397	180,397	180,397	180,397	180,397	180,397	180,397	180,397	180,397
Share Repurchases (\$)	52.87	52.87	52.87	63.44	76.13	91.35	109.62	131.55	157.86	189.43
Expected Price of Repurchased Shares:	\$ 81.59	\$ 90.31	\$ 99.97	\$ 110.66	\$ 122.49	\$ 135.59	\$ 150.09	\$ 166.14	\$ 183.90	\$ 203.56
Number of Shares Repurchased:	0.65	1	1	1	1	1	1	1	1	1
Shares Outstanding (beginning of the year)	50,000,000	50,017,119	50,034,237	50,051,356	50,068,475	50,085,593	50,102,712	50,119,831	50,136,949	50,154,067
Plus: Shares Issued Through ESOP	17,119	17,119	17,119	17,119	17,119	17,119	17,119	17,119	17,119	17,119
Less: Shares Repurchased in Treasury	1	1	1	1	1	1	1	1	1	1
Shares Outstanding (end of the year)	50,017,119	50,034,237	50,051,356	50,068,475	50,085,593	50,102,712	50,119,831	50,136,949	50,154,067	50,171,186

Mastec, Inc.*Valuation of Options Granted under ESOP*

Current Stock Price	\$81.59
Risk Free Rate	2.88%
Current Dividend Yield	0.00%
Annualized St. Dev. of Stock Returns	40.00%

Range of Outstanding Options	Number of Shares	Average Exercise Price	Average Remaining Life (yrs)	B-S Option Price	Value of Options Granted
Range 1	10,000	5.00	2.24	\$ 76.90	\$ 769,024
Range 2	20,000	9.00	5.40	\$ 73.92	\$ 1,478,481
Range 3	30,000	10.00	4.35	\$ 72.79	\$ 2,183,762
Range 4	15,000	12.00	6.40	\$ 71.79	\$ 1,076,850
Range 5	18,000	15.00	8.24	\$ 70.36	\$ 1,266,514
Range 6				\$	-
Range 7				\$	-
Range 8				\$	-
Range 9				\$	-
Total	93,000	\$ 10.54	5.43	\$ 72.65	\$ 6,774,631

Mastec, Inc.
Sensitivity Tables

DCF		CV Growth NOPLAT						
Risk Free Rate	99.14	2.25%	2.50%	2.75%	3.00%	3.25%	3.50%	3.75%
2.13%	108.02	110.72	113.67	116.91	120.46	124.40	128.78	
2.38%	102.59	105.00	107.62	110.47	113.61	117.06	120.87	
2.63%	97.56	99.71	102.04	104.57	107.34	110.38	113.72	
2.88%	92.89	94.81	96.89	99.14	101.59	104.27	107.21	
3.13%	88.53	90.26	92.12	94.12	96.30	98.68	101.27	
3.38%	84.47	86.02	87.68	89.48	91.42	93.53	95.82	
3.63%	80.67	82.06	83.55	85.16	86.90	88.77	90.81	

DCF		COGS %						
SG&A %	99.14	83.12%	83.62%	84.12%	84.62%	85.12%	85.62%	86.12%
3.6%	145.61	135.72	125.56	114.99	104.42	93.86	83.29	
3.8%	140.67	130.78	120.27	109.71	99.14	88.58	78.01	
4.1%	135.72	125.56	114.99	104.42	93.86	83.29	72.73	
4.3%	130.78	120.27	109.71	99.14	88.58	78.01	67.44	
4.6%	125.56	114.99	104.42	93.86	83.29	72.73	62.16	
4.8%	120.27	109.71	99.14	88.58	78.01	67.44	56.88	
5.1%	114.99	104.42	93.86	83.29	72.73	62.16	51.59	

DCF		Equity Risk Premium						
Default Premium	99.14	4.42%	4.67%	4.92%	5.17%	5.42%	5.67%	5.92%
1.75%	125.22	116.70	109.05	102.15	95.88	90.16	84.93	
2.00%	123.59	115.25	107.74	100.96	94.79	89.17	84.02	
2.25%	122.00	113.82	106.45	99.79	93.73	88.20	83.13	
2.50%	120.44	112.42	105.19	98.64	92.68	87.24	82.25	
2.75%	118.91	111.04	103.95	97.51	91.65	86.30	81.38	
3.00%	117.42	109.69	102.72	96.40	90.64	85.37	80.53	
3.25%	115.95	108.37	101.53	95.31	89.64	84.45	79.69	

DDM		CV Growth of EPS						
Treasury Stock Growth	53.55	2.25%	2.50%	2.75%	3.00%	3.25%	3.50%	3.75%
5.0%	51.37	51.52	51.67	51.83	52.01	52.20	52.40	
10.0%	51.78	51.94	52.12	52.30	52.50	52.71	52.94	
15.0%	52.27	52.46	52.65	52.87	53.09	53.34	53.59	
20.0%	52.86	53.08	53.31	53.55	53.81	54.09	54.39	
25.0%	53.58	53.83	54.10	54.38	54.69	55.01	55.36	
30.0%	54.46	54.75	55.06	55.40	55.75	56.13	56.53	
35.0%	55.53	55.87	56.24	56.63	57.04	57.49	57.96	

DCF		CAPEX %						
LTD %	99.14	2.80%	3.30%	3.80%	4.30%	4.80%	5.30%	5.80%
12.71%	127.68	118.13	108.54	98.94	89.03	78.59	68.15	
17.71%	128.44	118.87	109.28	99.36	88.92	78.48	68.03	
22.71%	129.16	119.58	109.69	99.25	88.81	78.36	67.92	
27.71%	129.86	120.03	109.59	99.14	88.70	78.25	67.80	
32.71%	130.38	119.93	109.48	99.03	88.58	78.14	67.69	
37.71%	130.28	119.82	109.37	98.92	88.47	78.02	67.57	
42.71%	130.17	119.72	109.27	98.81	88.36	77.91	67.45	

DCF		Tax Rate						
Beta	99.14	10.10%	15.10%	20.10%	25.10%	30.10%	35.10%	40.10%
1.22	152.17	145.32	138.22	130.87	123.26	115.37	107.19	
1.32	138.99	132.45	125.71	118.73	111.53	104.08	96.38	
1.42	127.54	121.31	114.89	108.26	101.43	94.39	87.12	
1.52	117.52	111.57	105.44	99.14	92.65	85.97	79.09	
1.62	108.67	102.98	97.13	91.12	84.94	78.60	72.07	
1.72	100.80	95.35	89.75	84.02	78.13	72.08	65.87	
1.82	93.75	88.52	83.17	77.68	72.05	66.29	60.37	

Mastec, Inc.
Key Management Ratios

Fiscal Years Ending Dec. 31	2019	2020	2021	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Liquidity Ratios:												
Current Ratio	1.78	1.67	1.61	1.79	1.82	2.18	2.24	2.39	2.54	2.70	2.85	3.02
Quick Ratio	1.70	1.60	1.56	1.72	1.76	2.10	2.17	2.32	2.47	2.63	2.78	2.95
Cash Ratio	0.06	0.30	0.20	0.28	0.52	0.59	0.76	0.91	1.05	1.21	1.36	1.53
Asset-Management Ratios:												
Total Asset Turnover (Sales/Total Assets)	1.44	1.21	1.12	1.20	1.18	1.23	1.21	1.19	1.17	1.14	1.11	1.07
Inventory Turnover (Sales/Inventory)	71.78	70.51	85.88	71.16	71.16	71.16	71.16	71.16	71.16	71.16	71.16	71.16
NWC Turnover (Sales/NWC)	5.97	7.40	6.89	7.24	7.24	7.25	7.25	7.25	7.25	7.25	7.26	7.26
Contract Asset Turnover? (Contract Assets/Sales)	7.01	6.52	6.48	6.33	6.33	6.33	6.33	6.33	6.33	6.33	6.33	6.33
Financial Leverage Ratios:												
Debt-to-Equity (Total Debt/Total Equity)	1.18	0.90	0.78	0.85	0.73	0.77	0.60	0.60	0.56	0.52	0.48	0.45
Equity Multiplier (Total Assets/Total Equity)	2.79	2.61	2.80	2.51	2.54	2.32	2.29	2.21	2.13	2.06	2.00	1.94
Degree of Financial Leverage (EBIT/EBIT-Interest)	1.15	1.15	1.14	1.23	1.15	1.14	1.10	1.08	1.07	1.06	1.04	1.03
Profitability Ratios:												
Return on Equity (NI/Beg TSE)	28.23%	18.06%	16.43%	13.13%	15.75%	15.99%	16.63%	16.14%	15.54%	14.50%	13.60%	12.59%
Return on Assets (NI/Beg. Total Assets)	8.88%	6.46%	6.33%	4.68%	6.26%	6.30%	7.15%	7.05%	7.04%	6.79%	6.59%	6.30%
ROIC (NOPLAT/Beg. IC)	22.15%	13.51%	21.62%	8.15%	15.51%	17.00%	18.66%	19.39%	19.82%	19.57%	19.40%	18.89%
EBIT Margin (EBIT/Sales)	6.97%	8.20%	7.05%	5.35%	6.19%	6.85%	7.20%	7.48%	7.60%	7.65%	7.60%	7.55%
Profit Margin	3.76%	5.46%	5.11%	4.14%	3.91%	4.62%	4.89%	5.25%	5.37%	5.47%	5.50%	5.52%
Gross Margin	15.49%	16.61%	14.41%	15.38%	15.38%	15.38%	15.38%	15.38%	15.38%	15.38%	15.38%	15.38%
Coverage Ratios												
Interest Coverage Ratio (EBIT/Interest Expense)	7.65	7.47	7.97	5.38	7.48	8.23	11.47	12.92	15.58	18.75	24.22	33.45
Total Debt-to-EBITDA (Total Debt/EBITDA)	2.02	1.99	2.68	2.13	2.31	1.87	1.94	1.89	1.85	1.83	1.82	1.82
Asset Coverage (Total Assets - ST Liabilities/Total Debt)	2.93	3.44	3.07	3.44	3.13	3.88	3.75	3.91	4.06	4.22	4.38	4.54
Payout Ratios												
Treasury Payout Ratios (Treasury Shares/NI)	0%	37%	0%	16%	12%	12%	13%	13%	15%	17%	19%	22%