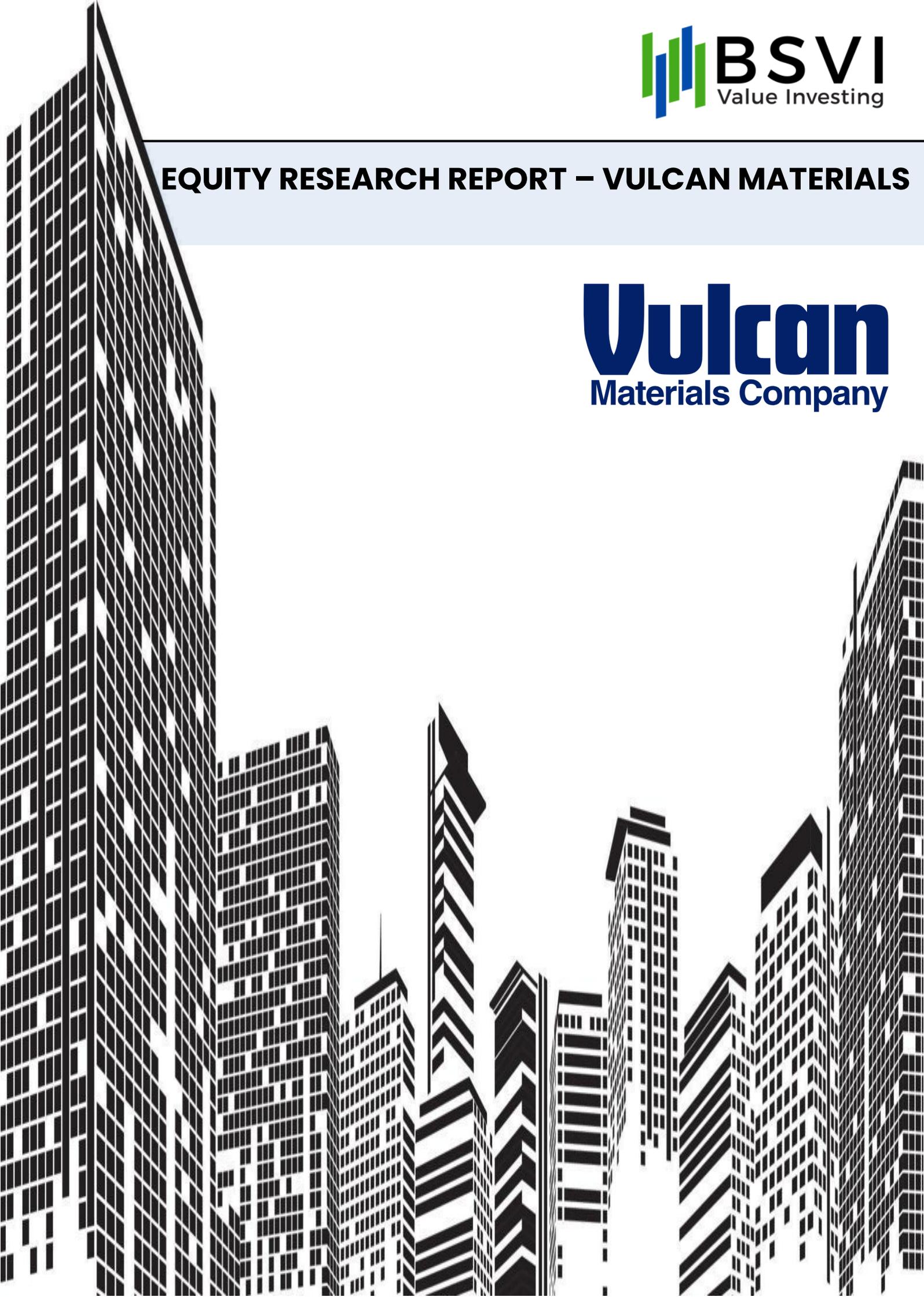


EQUITY RESEARCH REPORT – VULCAN MATERIALS

The logo for Vulcan Materials Company consists of the word "Vulcan" in a large, bold, blue sans-serif font. Below it, the words "Materials Company" are written in a smaller, blue sans-serif font.

Vulcan
Materials Company



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Suggestion: SELL
Target: 176.28 USD
Risk: Medium

SECTOR & STRATEGY ANALYSIS

COMPANY AND INDUSTRY OVERVIEW

Vulcan Materials Company (NYSE: **VMC**) is the United States' largest producer of construction aggregates and a major player in the global construction materials industry. Founded in 1909 as Birmingham Slag Company and headquartered in Birmingham, Alabama, Vulcan has established itself as a vital supplier of the materials needed for infrastructure and development projects across North America and beyond.

In 1956 it was renamed to Vulcan Materials Company following a merger with Vulcan Detinning Company, before **going public in 1957**. The company executed multiple acquisitions across the United States to expand across the country. As of Vulcan's 2024 10K and Annual Report the company owns over 423 active aggregates facilities, 70 asphalt facilities and 74 concrete facilities, primarily located in the US.

Principally engaged in the production, distribution, and sale of construction materials, **Vulcan specializes in crushed stone, sand, and gravel, critical components used in concrete, asphalt, and numerous construction applications**. Beyond raw aggregates, Vulcan's product portfolio includes asphalt and ready-mixed concrete. The company also **plays a fundamental role in the development and maintenance of roads, highways, bridges, residential buildings, and commercial structures**. Vulcan Materials Company is the leading construction aggregates producer in the United States, with a market share of approximately 10% in 2021 and a dominant position in over 90% of the local markets in which it operates.

The global construction aggregates market exceeded USD 444.7 billion in 2024 and is expected to continue growing at CAGR of over 6.1% from 2025 to 2034. In the United States, the market was valued at USD 117.1 billion in 2024, and is forecast to reach USD 172.4 billion by 2032, corresponding to a **CAGR of 4.95%**. This growth is driven by infrastructure investments, urbanization, and increasing demand in the residential and commercial sectors.

Nevertheless, **in 2024 Vulcan noted a decline in demand due to high interest rates, inflation, and a slowdown in the housing market, which negatively impacted construction activity**. Even so, the construction market is expected to recover in 2025, thanks to

increased infrastructure spending and stabilization of interest rates.

In addition, the **persistent inflation and high interest rates have increased operating costs and reduced demand in the construction industry**. In addition, extreme weather events have caused disruptions to construction activities. Despite these challenges, Vulcan has maintained strong operational execution, with margins and profitability growing.

We must consider that in the United States, **the Inflation Reduction Act (IRA) provides tax credits to incentivize domestic production of critical components, including essential minerals**, which is boosting domestic production and benefiting companies like Vulcan. **In Europe, the Critical Raw Materials Act aims to establish sourcing targets by 2030**, promoting strategic projects and increasing recycling capacity.

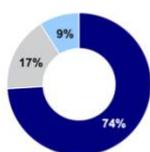
The population, also, growth, employment and new households are fueling demand for Vulcan’s products. **The company has a strategy in place to expand its presence in the US metropolitan areas that show the most promising growth forecasts**.

Finally, **tariffs have disrupted global supply chains**, driving up costs and delaying the availability of construction materials. **Vulcan is currently involved in a dispute with the Mexican government over the expropriation of a quarry and port site**, which the company views as a violation of trade agreements. This case could have significant implications for trade relations between the United States and Mexico.

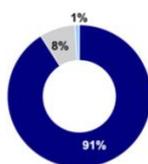
PRODUCTS AND PRODUCTION

Vulcan mainly supplies materials such as crushed stone, sand, and gravel, which are extracted from natural rock formations such as granite, limestone, and trap rock, ensuring a consistent supply for multiple construction needs. **It also produces aggregates-based construction materials, including asphalt mix and ready-mixed concrete**. Vulcan's products are employed in virtually every kind of construction project, including highways, bridges, schools, hospitals, airports, and commercial buildings. **The company's coast-to-coast coverage and extensive distribution network align with and serve the country's growth centers**, assuring timely delivery and material availability. In addition to its regular products, **Vulcan also provides custom concrete mixes, which can be specially designed to meet the requirements of individual projects**. These tailored products assist architects and developers

2024 Total Revenues



2024 Gross Profit



■ Aggregates ■ Asphalt ■ Concrete

in addressing unique issues and reducing construction costs. For instance, Vulcan's **low-carbon concrete** products are suitable for both indoor and outdoor use, highlighting the company's commitment to sustainability.

Vulcan's products are **not generally exposed to fast technological change**. The three main categories - ready-mixed concrete, asphalt mix, and aggregates - **experience low innovation cycles and hence do not require large investments in R&D**. Instead, the company centers its efforts on creating an efficient supply chain and expanding its product portfolio through **strategic acquisitions**.

CLIENTS

VMC mainly serves B2B clients in the construction and infrastructure sectors across a broad geographic footprint in the United States. The company's products are essential components of construction projects, supporting everything from public infrastructure to commercial and residential development. Vulcan's primary customers include:

- **Public infrastructure developers** - Governmental agencies at federal, state, and local levels that require materials for infrastructure projects like highways, bridges, and public facilities.
- **Commercial construction companies** - Businesses engaged in building commercial spaces, retail developments, and institutional structures such as schools and hospitals.
- **Residential developers** - Companies involved in housing and apartment construction projects.
- **Industrial construction contractors** - Firms working on power plants, manufacturing facilities, and other industrial projects.

VMC's products are primarily sold in bulk quantities to other businesses rather than serving end consumers directly. Its extensive facility network of 720 locations indicates a widely distributed operational presence in the United States. The company's products are essential goods, the nature of which provides the company with relatively stable demand patterns tied to construction activity and infrastructure investment. Due to the perishable nature of some of VMC's products, clients typically purchase them for immediate use rather than maintaining large inventories.

Contracting practices in the construction materials industry typically operates with a mix of:

1. **Project-specific supply agreements** for defined construction projects
2. **Master service agreements** with regular customers
3. **Long-term supply contracts**, particularly for government infrastructure initiatives

The company’s large market share indicates ongoing business relationships rather than purely transactional exchanges. Its strong market position, extensive reserves, and focus on operational excellence position them to **maintain long-term relationships with clients** requiring reliable access to high-quality construction materials.

SUPPLIERS

Vulcan has a diversified supplier network that is essential to its business functions. Its sourcing strategy focuses on value creation and preservation by taking advantage of its scale to realize cost efficiencies throughout the business organization. Still, the company **spends over \$2 billion every year to obtain the goods and services needed to run its operations.**

Vulcan tries to foster long-term partnerships with suppliers, handling over 70 national strategic alliances and 40 preferred supplier agreements. Such a team-based approach fully engages various subject matter experts from across the company’s operational divisions to identify cost-saving opportunities and standardize purchasing practices nationwide. This strategy allows Vulcan to **optimize sourcing processes and develop relationships that closely align with its requirements.**

Vulcan’s supplier base is mainly centered in the U.S., allowing it to circumvent international trade risks. Yet, the company engages with some select international suppliers. This can be seen in its partnerships with Algoma Central Corporation, a Canadian shipping company, and Cemex, a Mexican multinational building materials company. These **strategic relationships help Vulcan remain flexible and access essential materials** in regions where domestic sourcing logistics are less efficient or cost-effective.

It is also worth noting that Vulcan employs a vertically integrated business model, producing its own construction aggregates and materials. This strategy reduces their reliance on external suppliers, strengthening the supply chain. Moreover, the company's network of more than 400 facilities across the U.S., Mexico, Canada, the Bahamas, and the U.S. Virgin Islands further enhances its distribution capacity.

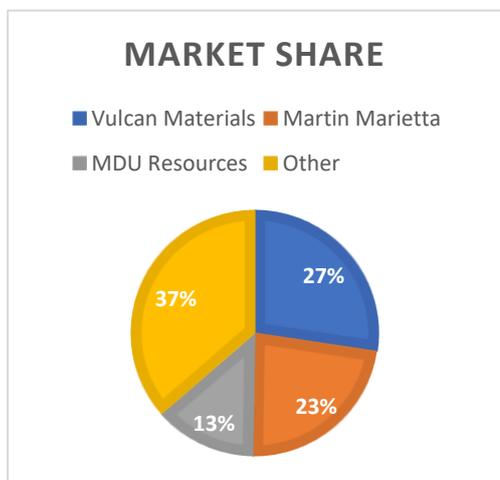


COMPETITORS

Vulcan Materials Company stands out as a **top player in the construction aggregates scene in the United States**, firmly establishing itself in the domestic market. Its main competitors include Martin Marietta Materials, CRH plc through its subsidiary Oldcastle Materials, Heidelberg Materials, Holcim, and CEMEX.

Martin Marietta Materials is a key competitor for Vulcan, as both companies are active in the US aggregates market. CRH plc, via Oldcastle Materials, has a **foothold in North America and provides a diverse array of construction materials**. On the international front, companies like Heidelberg Materials and Holcim also make their mark in the US, producing cement, aggregates, and concrete. **CEMEX, hailing from Mexico, has carved out a significant presence in the US market with similar offerings**. Together, Vulcan and Martin Marietta are recognized as the leading forces in the aggregates industry.

Vulcan Materials commands a substantial market share in aggregate materials throughout America, though this can fluctuate based on region and specific products. **Data indicates that the top 10 companies in the aggregates sector account for roughly 45% of total production in the US**. Notably, Vulcan and Martin Marietta are at the forefront of the industry, alongside Oldcastle, Heidelberg, and CEMEX Materials. According to CSIMarket data for Q3 2024, **Vulcan Materials boasts a 27.38% market share in the building materials sector**, with Martin Marietta trailing closely at 22.88%. MDU Resources Group and Summit Materials hold shares of 15.33% and 13.90%, respectively. **Eagle Materials has an 8.38% share, Knife River Corporation sits at 10.69%, United States Lime and Minerals has a 1.15% share, and Smith Midland Corporation rounds it out with a 0.28% share**. The aggregates industry presents opportunities for economies of scale, allowing companies with extensive networks of quarries and production facilities to lower their operating costs and enhance distribution efficiency.



While there are plenty of opportunities in the market, there are also **some pretty hefty obstacles to getting in**. For starters, the competition is fierce, and a significant amount of capital is needed to secure and develop extraction sites. On top of that, **there are strict environmental regulations, various permit requirements, and an already established distribution network that's essential for reaching local markets**.

CORPORATE STRATEGY AND GOALS

Vulcan Materials Company’s business strategy aims to achieve growth through smart acquisitions and fine-tuning operations. **In 2024, VMC acquired Wake Stone Corporation and Superior Ready-Mix Concrete**, which bolstered their presence in key areas like the Carolinas and Southern California. **These deals align perfectly with their focus on expanding their aggregates business and solidifying their market presence.**

Vulcan has set some ambitious goals, including boosting profitability per ton and growing operations in fast-developing markets. Looking ahead to 2025, **they’re anticipating a 19% increase in adjusted EBITDA**, driven by a **3-5% rise in shipments and a 5-7% uptick in pricing**. These targets showcase their dedication to achieving sustainable and profitable growth.

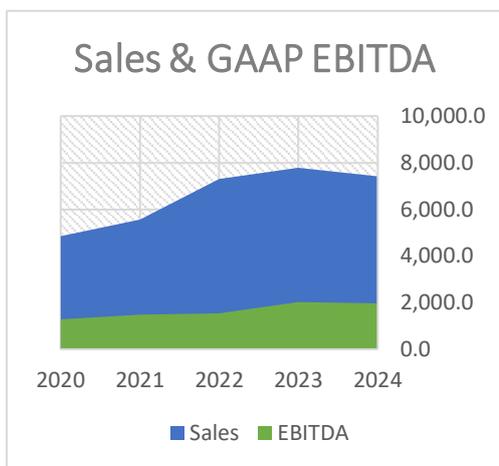
That said, there are several challenges and key risks the company should be aware of. A significant concern is their **ongoing dispute with the Mexican government** over the expropriation of a quarry and a port in the Yucatán Peninsula, which was designated as a protected natural area in 2024. This situation has prompted the **company to pursue legal action for compensation exceeding \$1 billion**. Such incidents underscore the geopolitical and regulatory hurdles that come with operating internationally.

Vulcan has enjoyed a remarkable revenue CAGR of 77.55% over the past five years, with earnings climbing by 72.84% during the same timeframe. For 2025, **analysts are projecting revenue to hit \$8.23 billion**, marking a substantial increase from the previous year.

GROWTH AND PARTNERSHIPS

Vulcan Materials has formed several strategic alliances, among which **the most ambitious is the one formed with Fairfax Water Authority** (Virginia, USA): this partnership aims to transform the **Graham Quarry into a reservoir, providing a clean drinking water supply for approximately two million Fairfax area residents**. The project calls for an initial storage capacity of 2 billion gallons by 2035, with a projected expansion to 17 billion gallons by 2085.

In the international scenario, **Vulcan Materials has a significant presence in Mexico, operating through the Sac-Tun site near Playa del Carmen**. In 2018, the company commissioned an



independent assessment to explore new sustainability opportunities. Based on this assessment, **Sac-Tun developed a long-term environmental strategy, working with NGOs, research institutions and local authorities to conserve the Mesoamerican Barrier Reef and associated protected areas.**



However, **operations in Mexico have faced challenges.** In 2022, Vulcan reported **delays in obtaining a customs permit for the port of Punta Venado.** The company subsequently expressed its willingness to supply materials for infrastructure projects such as the "Tren Maya" and to collaborate in the development of an ecotourism project on its own land, in line with proposals from the Mexican government.

Vulcan Materials has also signed several contracts with U.S. government agencies, including the Tennessee Valley Authority, with an indefinite-delivery contract to provide construction materials; the Department of the Interior (U.S. Fish and Wildlife Service): providing mineral materials for environmental projects and the Department of Defense (Army and Air Force).

DISTRIBUTION AND LOGISTICS

Vulcan employs an extensive and complex distribution network. The company currently **operates 423 aggregates facilities, 70 asphalt plants, and 74 concrete plants** with an approximate total of **12,000 employees**, thereby exercising control over production, distribution, and supply chain operations. Additionally, to ensure effective distribution in areas where direct company operations may be limited, **Vulcan also works with third-party logistics providers and contractors such as Norfolk Southern Railway and CSX Transportation.**

Vulcan’s transportation infrastructure consists of over 1,200 trucks and access to 42 rail transportation facilities. Together with strategically located regional distribution centers, **it allows the company to move its materials at an average distance of 127 miles per shipment**, allowing for shipping time reductions and effective inventory management. Digital tools such as real-time tracking and electronic shipping records allow for enhanced coordination with third parties and drive overall supply chain management towards operational efficiency.



Vulcan faces **substantial expenses in managing its distribution network**. In 2024, the company incurred **operating expenses of approximately \$1.45 billion, a big chunk of which was attributed to logistics costs**. Though company records did not state specific percentage figures, **it's reasonable to infer that these logistics expenses potentially ranged between 15% and 25%**, an estimate that would align with industry trends for companies dealing with bulk material transportation.

MARKETING

Vulcan's marketing strategy is **not characterized by traditional advertising**. Rather than depending on mass media campaigns, Vulcan focuses on **nurturing strong customer relationships and strategic expansion**. Central to Vulcan's strategy is the "**Vulcan Way of Selling**", a philosophy that mainly prioritizes **reliability, customer service, and value-added solutions**. This approach is intended to create a sense of trust and loyalty with clients so that the company can benefit from repeat business and long-term contracts. However, **Vulcan does maintain some level of media presence**, as seen in some of its online ad campaigns on construction industry websites, which **generate a 3.2% click-through rate**.

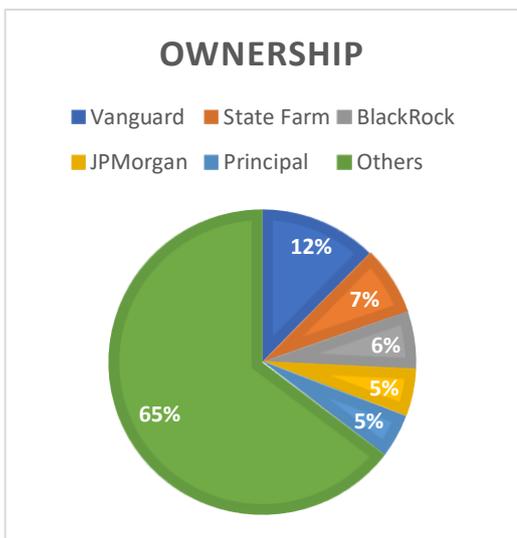
Vulcan also utilizes acquisitions and facility development as ways to expand its market presence. **This can be seen in its recent acquisition of Superior Ready-Mix Concrete in Southern California**. Such operations augment the company's production and distribution capacity, while also enhancing brand recognition and market share in previously untapped high-growth regions. **The company also participates in important construction and engineering trade shows**, such as the World of Concrete Exhibition in Las Vegas, the Associated General Contractors (AGC) Annual Convention, and the CONEXPO-CON/AGG International Construction Trade Show, where it can showcase its products and services. **Vulcan does not disclose its specific marketing expenses**. However, it is worth noting that **SG&A expenses reached an approximate \$531 million (7.2% of total revenues) in 2024**, providing some insights into Vulcan's marketing and customer engagement efforts.

OWNERSHIP AND MANAGEMENT

VMC’s ownership structure is dominated by large institutional investors suggesting **strong market confidence in Vulcan’s business model** and governance approach. As of April 2025, five major institutional investors—Vanguard, State Farm, BlackRock, JPMorgan, and Principal Financial—account for **over 35% of the company’s shares**. 1,706 institutional owners hold around 116.3% of outstanding shares, indicating active trading and potential short-term positions alongside long-term investment strategies.

The five largest institutional shareholders are:

1. **Vanguard Fiduciary Trust Co.** owning 12.38% (16,352,507 shares), worth roughly \$3.815 billion.
2. **State Farm Investment Management Corp.** owning 7.30% (9,647,060 shares), worth roughly \$2.251 billion.
3. **BlackRock Advisors LLC** owning 6.09% (8,050,804 shares), worth roughly \$1.878 billion.
4. **JPMorgan Investment Management, Inc.** owning 4.99% (6,597,343 shares), worth roughly \$1.539 billion.
5. **Principal Global Investors LLC** owning 4.59% (6,062,201 shares), worth roughly \$1.414 billion.



Other major shareholders include State Street Corp and various Vanguard and Principal Financial funds. The concentration of ownership among large institutional investors signals strong institutional confidence in the company’s business model.

Although a caveat should be added to the recent geopolitical uncertainties and potential tariffs affecting profitability, the **historical strong institutional confidence reflects a trust in the building materials sector**. It is a sector built on economies of scale, brand recognition, and strong relationships with builders and contractors. These factors create stability and confidence in the industry as shown by **VMC’s five-year monthly beta of 0.80**, also explained by the stability of Vulcan’s executive management.

The management team shows important industry experience and continuity, combining internally developed talent with external hires. **J. Thomas Hill heads the executive team**, serving as



J. Thomas Hill, VMC's Chairman and CEO

Chairman of the Board (since December 2015) and President and CEO (since July 2014). Hill's relationship with Vulcan spans over 25 years, increasingly escalating responsibilities in operations and general management.

Mary Andrews Carlisle operates as Senior VP and CFO, having joined Vulcan in May 2006. Progressing through various leadership roles within the company's accounting and finance departments.

The operational branch of Vulcan is led by Thompson S. Baker II as President and Ronnie A. Pruitt as COO. Baker's experience includes serving as president and CEO of Patriot Transportation Holding, Inc. and Florida Rock Properties, apporating valuable industry perspective. Pruitt joined Vulcan through the company's August 2021 acquisition of U.S. Concrete, Inc., where he previously served as president and CEO, also adding concrete industry expertise.

Stanley G. Bass serves as Chief Strategy Officer, having worked in various operations and management positions since joining Vulcan back in 1996. Denson N. Franklin III joined as Senior Vice President and General Counsel in December 2019, bringing extensive legal experience from his partnership at Bradley Arant Boult Cummings LLP, where he had served as Vulcan's primary outside counsel for over 20 years.

Lastly, regarding dividends, **VMC has increased dividends per share every year from 2016 (\$0.80) to 2024 (\$1.84)**. Total yield, adding dividend and buyback yield, increased also each year from 2021 (0.71%) to 2024 (1.36%). Showing **Vulcan's consistent commitment to reward owners with slightly increasing dividends**.

CAPITAL STRUCTURE & FINANCIAL HEALTH

The aggregates industry **relies heavily on big capital expenditures** due to the substantial fixed costs related to heavy machinery, plants and transportation infrastructure. Alongside the significant capex required, strong business relations are key to agreeing beneficial terms while raw materials cost fluctuations can also eat into profits.

As a result, **companies in the sector require a strong capital structure and financial base** to be able to cope with the high fixed costs and the profit variability affected by the macroeconomic conditions.

To highlight its strong financial health, since 2020 **VMC has increased in every year its sales, gross profit, EBITDA, and EBIT** (except for a small decrease in sales in 2024). This not only demonstrates an increase in revenue flows, but also well managed costs. It also follows the industry trend as construction activity rebounded post-pandemic, yet the trend softened in 2023 and turned slightly negative in 2024.



In the near future sales are expected to grow at a moderate but consistent pace. Recent macroeconomic and political uncertainties created by the tariff war might be a problem, **yet the industry is well-insulated against tariffs as it barely relies on imports.** Nonetheless, inflationary pressures alongside overall uncertainty may create problems for the industry, in particular for VMC that relied heavily on debt-fueled acquisitions over the last years to expand.

Regarding solvency ratios **Vulcan increased its gross debt ratio, financial debt ratio, and refinancing ratio compared to the previous year**, which is not ideal, yet this can be partially explained by **Vulcan’s multiple acquisitions.** The ratios remain within industry averages yet moving forward the company needs to be careful when analyzing potential further acquisitions to avoid overleveraging.

A similar pattern repeats with the liquidity ratios as the current, quick, and cash ratios all decreased with respect to 2023, although this is also explained by the acquisitions (cash outlay of \$2.21B) and capex (increase in PPE of 33.57%). Nonetheless, the ratios remain in healthy ranges, VMC can still easily meet its short-term obligations.

As can be intuited, **the same pattern repeats for the profitability ratios** (decrease in ROE, ROI, & ROA with respect to 2023). Although, more importantly, **Vulcan’s gross margin of 29.96% and operating margin of 20.02% in 2024 fall above the industry average**, explained by VMC’s vertical integration, strong pricing discipline, and effective cost management.

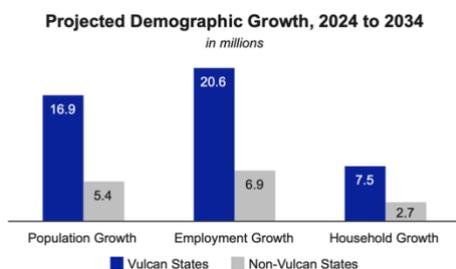
In short, **VMC’s growth approach through debt-fueled acquisitions is clearly working.** Yes, many metrics fell in comparison to the previous year because of this increased spending and debt, but also because of an overall decrease in construction activity in 2024 following the post-pandemic rebound. Furthermore, Vulcan’s high gross margin and operating

margin highlights its effective cost management which is possible thanks to the vertical integration created through acquisitions.

Also, **sales are expected to increase at a moderate but consistent rate in the following years**. Although, on the flip side, VMC still must be cautious with its spending to not further increase its solvency rates while **decreasing its solvency rates as there is great economic uncertainty and inflationary pressures increase potential risk in further leverage**.

ESG & REGULATORY COMMITMENTS

Vulcan’s commitment to environmental sustainability is seen in the efforts it takes towards **resource efficiency and a minimal carbon footprint**. In 2023, for instance, in collaboration with **CarbonCure Technologies**, the company injected over 1 million cubic yards of concrete with CO2 in order to isolate carbon emissions. Additionally, **Vulcan recently completed Phase 1 of its Scope 3 greenhouse gas (GHG) emissions inventory**, an initiative focused on achieving emission reductions by analyzing indirect emissions occurring throughout the value chain, which usually make up a major chunk of any company’s carbon footprint. Moreover, **Vulcan tries to push for environmental awareness through its Environmental Challenge program**, encouraging facilities to participate in challenges regarding air, land, and water stewardship.



Vulcan also engages in various community service projects. In 2023, it **donated over \$5.5 million through its foundation to support and push for health, education, community improvement initiatives, and environmental responsibility**. The company has also **allocated over \$500,000 towards DEI efforts** and partnered with 230 K-12 institutions to contribute over \$840,000 in educational scholarships. Regarding its workforce, Vulcan has been able to **maintain solid health and safety standards by achieving zero employee fatalities in 2024, while also improving its combined MSHA and OSHA incident rate**, placing the company well above industry averages. It is also worth mentioning that through its Serious Injuries and Fatalities program (SIF), **Vulcan has been able to carry out over 14,000 observations and engagements, further strengthening safety measures**.

PORTER'S FIVE FORCES

Threat of New Entrants: **LOW**

- The construction aggregates industry is characterized by a high entry barrier due to large, fixed costs and capex required, alongside the importance of client relations and economies of scale.

Bargaining Power of Suppliers: **MEDIUM**

- Fuel costs are subject to swings and some specialized equipment have high switching costs. However, VMC fosters long-term partnerships with suppliers, most based in the US, mitigating trade risks. Also, VMC's vertical integration helps reduce dependency.

Bargaining Power of Buyers: **MEDIUM**

- VMC has many buyers under long-term contracts and strong established relationships with clients. Yet switching costs are low, buyers push for lower prices, and there's no product/brand differentiation.

Threat of Substitutes: **LOW**

- Few alternatives as construction aggregates are essential goods and large CAPEX and extensive distribution networks are a must. Only real alternatives are recycled materials or alternative materials.

Industry Rivalry: **HIGH**

- Concentration is high (6 firms hold >95% of market share), large M&A activity, and competition is intense. Heavy CAPEX, strict environmental regulations, alongside various permit requirements are major issues. Also, high dependency on overall macroeconomic conditions and construction demand.

SWOT ANALYSIS

Strengths

- Leading market position as **the largest producer of construction aggregates** in the U.S.
- **Resilient demand** due to the essential nature of products in infrastructure.
- **High operational efficiency** with focus on cost control and margin growth.
- Stable, **vertically integrated** supply chain.

Weaknesses

- **High dependence on the U.S. market**; limited global diversification.
- **Capital-intensive operations** requiring large upfront investment.

- **Limited innovation due to low R&D cycles** in the aggregates industry.
- Modest marketing presence, limiting customer engagement potential.

Opportunities

- **Expansion into high-growth U.S. metropolitan markets.**
- Expansion into **recycled aggregates market.**
- **Rapid urbanization** and infrastructure redevelopment in developing countries.
- **Recent increase in public infrastructure spending.**

Threats

- **Economic slowdown** and **high interest rates** impacting construction activity.
- Regulatory and environmental constraints in international markets.
- **Supply chain risks due to tariffs** and global trade disputes.
- **Rising input costs and inflation** affecting profitability.

PESTEL ANALYSIS

At a political level, Vulcan must deal with strict environmental regulations, public procurement and be ready to deal with governments at local and national levels. In the USA, the company is very **tied to public bodies in providing construction materials for infrastructure and thus being able to largely exit from projects anchored to the construction and transport sectors.** In Mexico, however, it found itself facing a very delicate political climate, suffice it to remember that in 2022 the Mexican government immediately cancelled the authorization to open a site for the collection of rock extracted from a mining area in Sac-Tun, indicating how **regulatory changes and poor collaboration between local authorities and large multinational companies had a significant space within the country.**

On an economic level, Vulcan's health will have to go hand in hand with that of the economies in which it operates. **Good times and large investments in infrastructure mean that the demand for construction material is high.** It is no coincidence that the increase in public investments in infrastructure in the United States, with initiatives such as the Infrastructure Investment and Jobs Act, has been a good ally for Vulcan's growth in recent years. It is also true, however, that the **growth in the prices of raw materials and**

energy, such as that of the exchange rate with Mexico, can weigh heavily in terms of operating margin.

From a social point of view, the company has launched programs to support HBCUs and collaborations with local communities in the territories that the company serves. These activities are important to preserve a good reputation, attract consensus and social well-being and especially in the territories that host mining activities and that require particular attention in terms of environmental impact.

In the technology sector, Vulcan has invested in environmental monitoring and landscape engineering solutions creatures of hard stone. The use of innovative technologies, which allow for increased efficiency and a reduction in waste and a better relationship with all public and private users, allows for the protection of the environment, but also prevents the rapid overcoming these seem to be the barriers to entry.

The environmental issue is a key point. Vulcan's production activities are such that they require environmental attention for the challenging fauna, poisons, health, air and water; evidence of this is a project developed by Vulcan in Mexico together with some NGOs and research institutes aimed at preventing and raising awareness of adverse environmental effects.

Finally, the legal sphere is where Vulcan operates in a context of strict regularity where it is essential to avoid sanctions and forced stops, to respect the rules in packaging, surveillance and use. Legal issues are particularly significant in large and complex land engineering projects and in international operations; this is evidenced, for example, by those that Vulcan is currently involved in in Mexico.

MARKET DRIVERS AND CATALYSTS

It's clear that the construction aggregates market is driven by an environment of high public investment and low interest rates to develop infrastructure. Vulcan Materials has reaped significant benefits from legislation aimed at that in the United States, especially on the tail-end of the Biden Administration.

The company has been tested during the economic slowdown of COVID and the consequent high-interest rates environment to reel in inflation in the USA, but its services will likely always be in demand to at least maintain the American infrastructure network and its correlated industries. The current climate of economic and geostrategic uncertainty could significantly short and medium-

term market power and investments (as seen with the ongoing disputes with the Mexican government).

Strengthening the American industrial base could lead to a betterment of the company’s financial standing and an expansion of its reach. However, until those investments in public infrastructure to sustain a reindustrializing economy are initiated in full, the VMC will likely continue to suffer from strong market uncertainty, price swings and **losses due to legal disputes in strongly tariffed countries.**

FINANCIAL STATEMENT ANALYSIS

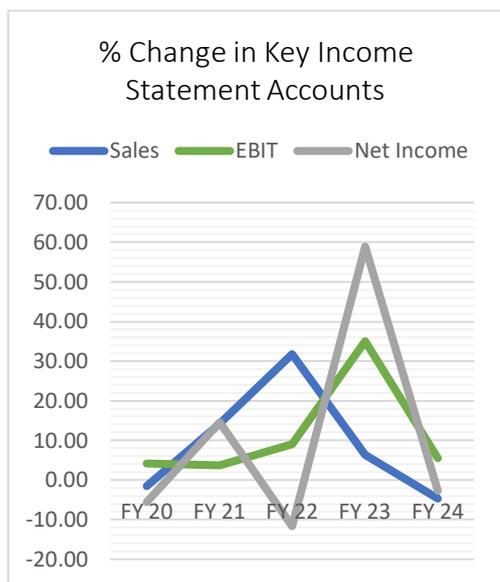
INCOME STATEMENT

Since 2020, Vulcan Materials shows apparent cyclicity through the analysis of its Income Statements: this is most apparent by analyzing its **revenues, gross income, EBT, and net income** (both consolidated and non).

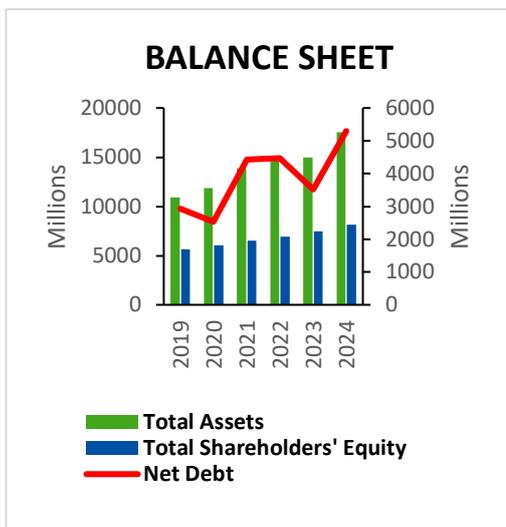
Years of intense growth (2022) are followed by years of either low or negative growth: in FY2024, the company suffered a decline of **4.68%** in sales and of **5.86%** in EBT. However, this alternating trend structure is not common to all accounts and gives important insight in the company’s strategy.

Taking FY2022 and FY2023 as prime examples: in the former there was the **largest YoY increase in sales (+31.75%)**, but also the **steepest YoY fall in EBT and net-income (-11.67%)** due to a combination of soaring COGS and unexpected expenses that caused a steep decrease in **gross margin (-4.0%)**. This is most likely due to a combination of poor ROI on previous CAPEX, impairment and PPE write-downs (unusual expenses **quadrupled**).

However, in FY2023, albeit mild increases in sales of 6.38%, net income **soared by 58.87%**, confirming that the previous year’s restructuring caused a **25.06% increase in gross margin** alongside a **35.03% increase in EBIT**. FY2024 serves as validation of the prior year’s restructuring, with key profitability metrics—EBIT, net income, and margins—all improving despite a 4.68% decline in revenue.



BALANCE SHEET

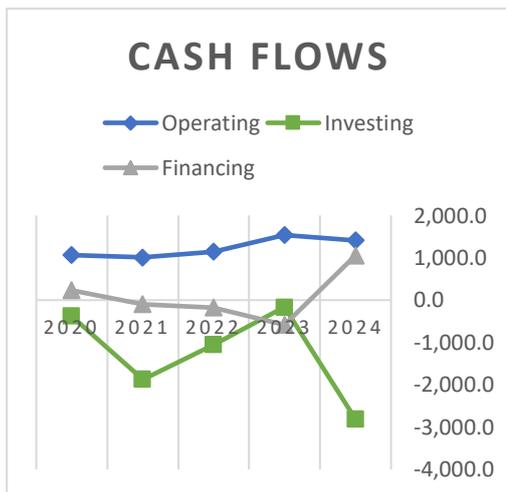


The company's Balance Sheets shows recent leveraged investments into PPE, showing the **vested interest in increasing capacity to service new clients**.

Total Assets have increased by **17.30%** in FY2024, a 10-year-high, largely driven by the increase in PPE acquisitions, whilst Total Liabilities have increased by **26.19%** since FY2023, marking another 10+-years-high, almost entirely driven by the hike in **long-term debt financing** (net of leases) of **23.56%**. This dramatic increase in leverage has insofar been used to acquire new **land, machinery**, and to increase significantly CAPEX since FY2023. Other minor increases can be seen in **Other Intangible Assets** (+17.39%) and **Goodwill** (+7.25%)

On the other hand, the company has **shed a considerable amount of current assets (-10.27%)**, specifically in the form of **cash**, which is likely to cover the downpayments of the newly acquired debt. Although not at its ATL, cash reserves are down **57.9%**. Inventories (especially finished goods) have increased as well, showing **difficulty in selling despite potential plans for expansion**.

CASH FLOW STATEMENT



The analysis on the Cash Flows for VMC confirms what has been said so far regarding the restructuring of long-lived assets and the increased resilience to cyclical dips in sales.

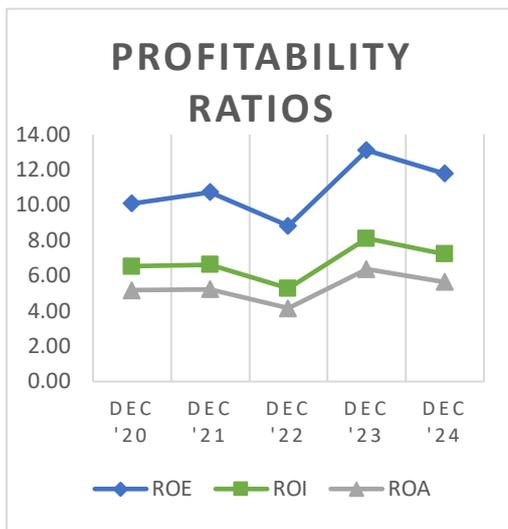
Firstly, **Net Investing CFs have plummeted by more than 16x** alongside an even more impressive **2.8x jump in Net Financing CFs** in FY2024 after years of relatively constant decrease. As said before, this is largely due to the new acquisitions of assets via long-term financing.

Finally, the previous considerations regarding current assets are shown to be primarily justified by a **steep decline in Working Capital** driven by the exceptional payment of previous purchases made on account (+6x) and the hike in **other assets/liabilities** (+90x).

RATIO ANALYSIS

PROFITABILITY

Gross Margin for VMC in 2024 equaled 29.96%. Such a margin is higher than expected of the aggregates industry, where substantial



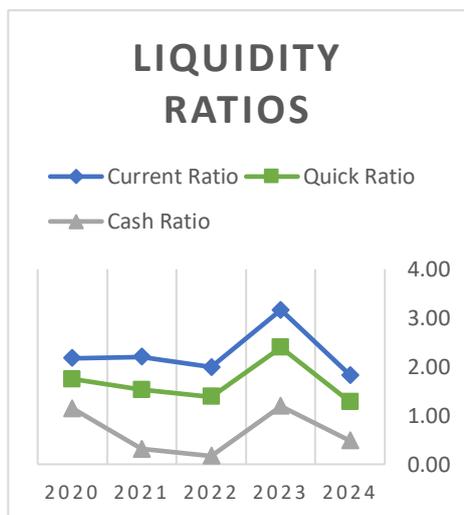
fixed costs related to heavy machinery, plants and transportation eat into profits. This can be explained by the company’s vertical integration (ownership of quarries and reserves reduces raw materials costs) as well as strong pricing discipline enabled by the dominance in the US regional markets.

Operating Margin equaled 20.02% in 2024, falling above the industry average and demonstrating the company’s advantage generated by economies of scale and effective cost management. **Net Margin of 12.40%** reflects company’s **high depreciation costs** of ca. \$500M in recent years as well as high interest expenses due to debt-funded acquisitions; nonetheless, the value continues to fall within 5-15% expected of the industry.

ROA averaged 5.31% over the last 5 years and remains relatively stable, although slightly lower than that of competitors (7.49% for MLM over the same time horizon). The company maintains extensive reserves and its recent acquisitions of lower-margin and **asset-heavy concrete operations**.

ROE of 11.79% in 2024 (lower than competition), is a direct consequence of lower financial leverage (reflected in lower debt-to-equity ratio) **and significant equity reinvestment in reserves and infrastructure**. Therefore, ROA and ROE are slightly below competitor values result from VMC’s **strategic choices concerning long-term positioning within the industry** rather than any operational inefficiencies.

LIQUIDITY

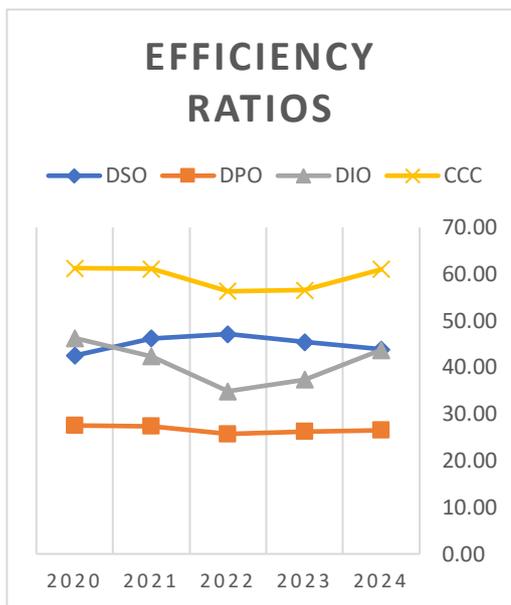


VMC’s **Current Ratio of 1.83** in 2024 implies robust ability to meet short-term obligations. Similarly, **Quick and Cash Ratio of 1.28 and 0.48** suggest strong financial health for the company. The values of all ratios closely **align with those present in the aggregates industry in general**, which reinforces the soundness of the company’s cash management strategy.

The analysis of the quite significant decrease in the values of the ratios in 2024 reveals that the decrease in ratios stems primarily from **significant cash spending on acquisitions** (cash outlay of \$2.21B) **and CAPEX** (an increase in PPE of 33.57% YoY). Consequently, the decrease in liquidity ratios compared to previous years has been caused by **singular events and should not affect VMC’s liquidity in the long run**. Moreover, the current levels of liquidity ratios **prove continuous financial health**.

EFFICIENCY

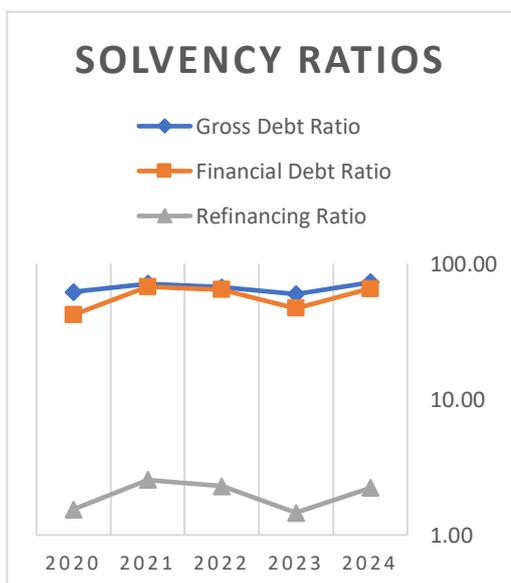
The asset turnover ratio for VMC for year 2024 is 0.46, which is **lower than the average among its competitors**. Nevertheless, this can be largely attributed to several acquisitions that the company has recently completed and that have expanded assets without immediate revenue integration.



Inventory Turnover of 8.35 is higher than the industry standard of 4-6, signaling highly efficient sales. The value has been declining over the past few years, but it has occurred as a **direct result of intentional inventory build-up in response to Infrastructure Investment and Jobs Act (IIJA) entering execution phase in 2024-2025**. It should be noted that for this reason the falling inventory turnover is an industry-broad trend and not a sign of inefficiency.

Consequently, we observe a **rising value of days inventory outstanding (DIO)** over time (43.70 in 2024 compared to 37.38 in 2023). **The Days Sales Outstanding (DSO) of 43.85 reported in 2024 were lower than in the previous years**, highlighting faster collections from infrastructure clients, which improves companies' cashflows. The **Days Payable Outstanding (DPO)**, on the other hand, have remained roughly constant over time and like the average for the industry, indicating **sound payment policies**. Overall, this amounts to a **Cash Conversion Cycle of 61.02 days** for 2024, much lower than 70-80 days observed among competitors. Hence, we can conclude that VMC is highly efficient at managing its working capital compared to its peers.

SOLVENCY



D/E ratio for 2024 was 72.65%, suggesting a balanced capital structure of the company, and has significantly increased compared to 2023 due to the financing of investing activities. This value aligns with the industry standard, **indicating good amount of leverage**. **The Debt-to-Assets ratio of 33.57% in 2024 is quite conservative**, a sign of low risk and high creditworthiness. Lastly, the **Interest Coverage Ratio of 7.69** in 2024, marking an improvement over the previous years, shows that the company can comfortably cover its interest payments, even with the observed increase in leverage. Hence, solvency ratios exhibit a balanced capital structure, with flexibility to fund acquisition-driven growth through strategic debt while simultaneously maintaining strong interest coverage.

FORECAST

US CONSTRUCTION MATERIALS INDUSTRY

According to IBISWorld, the U.S. Stone Mining industry is projected to **reach a market size of \$26.8 billion in 2025, at CAGR of 5.2% from 2019 to 2024**. Similarly, the Sand and Gravel Mining industry is **estimated to reach \$19.4 billion in 2025, growing at CAGR of 4.8% over the same period**. Meanwhile, the Asphalt Manufacturing market is expected to **grow to \$35.2 billion by 2025, achieving a CAGR of 2.6% between 2020 and 2025**.

VMC remains a dominant player in each of these industries, positioning itself to capture this growing demand. However, **interest rates have a significant impact on construction activity**. While the industries are largely insulated from tariffs due to minimal import revenues, **inflation could lead to higher interest rates and hence to higher borrowing costs**, reducing demand for new construction projects.

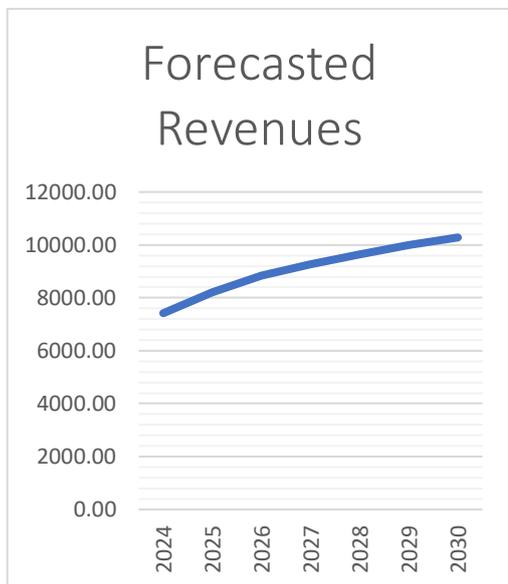
In contrast, the Infrastructure Investment and Jobs Act, passed in 2021, contributes to the growth of infrastructure projects, **with \$550 billion in new funding over five years**. Despite this, inflationary pressures, along with supply chain disruptions and geopolitical tensions, pose a major threat to the industry. To mitigate these risks, they should leverage technology to better forecast material prices and avoid additional costs.

COMPANY-WIDE FORECAST

Vulcan Materials expects revenue growth and reduced costs for the future: they expect **shipments of products to grow between 3% and 5%**, with **Adjusted EBITDA between \$2.35 billion and \$2.55 billion**. The growth of public construction activity and the recent acquisitions will be the major drivers of the volume growth in 2025. In 2024, there was an **increase in employment levels due to these acquisitions**. Vulcan **deployed approximately \$2.3 billion to expand its presence** into new areas and strengthen its existing franchise in three of its top ten revenue states. Notable acquisitions include Wake Stone Corporation and Superior Ready Mix. In 2025, **overhead costs are expected to decline** due to cost synergies and, **S&A expenses decreased by 2% in 2024, totaling \$531.1 million**. While this decrease may seem like a positive sign, as a percentage of sales, they increased to 7.2%, a rise of 20 basis points from the previous year. Vulcan anticipates only single-digit cost increases in 2025 due to improved operating efficiencies.

COMPANY VALUATION

REVENUES



To determine the appropriate growth rate assumptions for the DCF model, we analyzed both historical sales performance and explicit forecast expectations for Vulcan Materials.

Following a slight decline in 2020, **Vulcan Materials experienced significant top-line expansion, particularly in 2022, when revenues surged by nearly 32%** as construction activity rebounded post-pandemic. However, the trend softened in 2023 and **turned slightly negative in 2024, with revenues contracting by 4.68%**, reflecting a cooling in construction demand and broader economic uncertainty.

Going forward, sales are expected to return to a moderate but consistent growth path, starting with a strong recovery in 2025 and **gradually tapering to a 3% terminal growth rate by 2030**. This deceleration is consistent with expectations for a **mature, infrastructure-focused company operating in a more normalized economic environment**.

WACC

COST OF EQUITY

The cost of equity was derived using the Capital Asset Pricing Model (CAPM) framework. We first determined the risk-free rate using the **yield on 10-year U.S. Treasury securities, set at 4.31%**. To estimate the company's beta, we performed a direct regression of Vulcan Materials' stock returns against the S&P 500 over the last five years, using monthly return data. This **analysis yielded a beta of 0.83 and adjusted one 0.89**, indicating that Vulcan's equity exhibits slightly lower volatility than the overall market.

The expected market return was independently calculated by averaging the S&P 500's annual returns over the past decade (2014–2024), **resulting in a long-term expected return of 12.14%**, while the risk premium, which equals to 4.33%, was sourced from Damodaran. Applying these figures within the CAPM formula led to an **estimated cost of equity of 8.15%**.

Equity	35,544.36
Debt	5,368.00
Total	40,912.36
Equity as a %	0.87
Debt as a %	0.13
CAPM	
Beta	0.89
Risk free rate	4.31%
Risk premium	4.33%
Cost of Equity	8.15%
Rf	4.31%
Corporate rating	BBB+
SPREAD	1.6%
Cost of Debt	5.91%

COST OF DEBT

For the cost of debt, we used matrix pricing to reflect current market borrowing conditions. We added the risk-free rate to the spread, which tells us how much extra interest rate lenders demand from VMC in comparison to lending to government. **The final value was 5.91%.**

WACC

The capital was assumed based on current market values, reflecting 58% equity and 42% debt. Combining the costs of equity and debt, weighted by their respective proportions, results in a **WACC of 7.68%**. This WACC reflects the blended cost of capital that investors require to finance Vulcan’s operations and future growth initiatives, accounting for both equity and debt holders’ required returns.

DISCOUNTED CASH FLOW MODEL

To complement the valuation of Vulcan Materials, a comparable companies analysis was performed using a set of peers operating in similar sectors, primarily aggregates and heavy building materials. The peer group includes Martin Marietta Materials (**MLM**), CRH plc (**CRH**), Knife River Corporation (**KNF**), and Eagle Materials (**EXP**).

We focused on key valuation multiples: EV/Sales, EV/EBITDA, and P/E. **Median multiples were preferred over averages** to reduce the influence of outliers, especially given CRH’s larger size and international exposure. Using the median peer values of 3.8x EV/Sales, 11.7x EV/EBITDA, and 21.8x P/E, we derived an implied value for Vulcan Materials.

Specifically, the implied share prices were:

- **EV/Sales → \$177.75**
- **EV/EBITDA → \$149.38**
- **P/E → \$154.25**

By averaging these three metrics, we estimated an implied fair value per share of approximately \$160.46, which indicates a **notable premium over Vulcan’s current share price of \$106.59**, while the enterprise value is \$30.2 billion. The valuation obtained through the DCF (**176.28\$, EV/NOSH**) and the comparable

Company	Valuation		
	EV/Sales	EV/EBITDA	P/E
VULCAN MATERIALS COMPANY (XNYS:VMC)	5.4x	18.9x	37.7x
Martin Marietta Materials	5.6x	18.3x	15.5x
CRH	2.1x	11.1x	18.2x
Knife River	1.9x	12.2x	25.4x
Eagle Materials	37.0x	10.9x	173.6x
High	37.0x	18.3x	173.6x
75th Percentile	13.4x	13.7x	62.5x
Average	11.6x	13.1x	58.2x
Median	3.8x	11.7x	21.8x
25th Percentile	2.1x	11.1x	17.5x
Low	1.9x	10.9x	15.5x
Vulcan Materials Valuation	EV/Sales	EV/EBITDA	P/E
Implied Enterprise Value	28.41	24.72	25.35
Net Debt	5.30	5.30	5.30
Implied Market Value	23.11	19.42	20.05
Shares Outstanding	0.13	0.13	0.13
Implied Value Per Share	177.75	149.38	154.25
Average			160.46

companies analysis both **reveal a clear overvaluation of the company**, especially focusing on the P/E and EV/EBITDA analyses.

176.28	6.68%	7.18%	7.68%	8.18%	8.68%
2.00%	182.49	160.86	143.05	128.13	115.45
2.50%	205.75	179.35	158.06	140.53	125.83
3.00%	235.34	202.27	176.28	155.32	138.05
3.50%	274.23	231.41	198.86	173.27	152.62
4.00%	327.64	269.73	227.57	195.51	170.31

RECOMMENDATION

We recommend a **SELL** on Vulcan Materials. Although trading multiples suggest some upside with an implied value of 160.46USD per share, precedent transactions—despite including typical acquisition premiums—imply a value closer to \$154–\$178, while the **DCF analysis indicates an intrinsic value of just \$176.28**. With the current share price at \$267.05, the stock appears overextended relative to fundamental value. The **risk of multiple compression and mean reversion is significant**, and we see limited justification for current valuations given industry dynamics and historical transaction benchmarks.

DCF APPENDIX

Key Data

PGR	3.00%
WACC	7.68%
Tax rate	23.00%

EBIT ESTIMATION

(Data in \$ million)	Historicals					Explicit forecast					
	2020A	2021A	2022A	2023A	2024A	2025E	2026E	2027E	2028E	2029E	2030E
Income statement											
Sales	4,857	5,552	7,315	7,782	7,418	8,214	8,850	9,270	9,655	9,982	10,282
Growth	(1.47%)	14.32%	31.75%	6.38%	(4.68%)	10.74%	7.74%	4.74%	4.16%	3.39%	3.00%
COGS (excluding D&A)	(3,140)	(3,667)	(5,110)	(5,216)	(4,786)	(5,456)	(5,803)	(6,018)	(6,222)	(6,397)	(6,477)
% of sales	64.66%	66.04%	69.85%	67.03%	64.52%	66.42%	65.57%	64.92%	64.44%	64.08%	63.00%
Gross profit	1,717	1,885	2,206	2,566	2,632	2,758	3,048	3,251	3,433	3,585	3,804
Other SG&A expenses	(360)	(418)	(515)	(541)	(515)	(584)	(645)	(693)	(740)	(784)	(828)
% of sales	7.41%	7.52%	7.04%	6.95%	6.94%	7.11%	7.29%	7.47%	7.66%	7.85%	8.05%
EBITDA	1,357	1,468	1,690	2,025	2,117	2,174	2,402	2,559	2,693	2,802	2,977
Margin	27.93%	26.44%	23.11%	26.02%	28.54%	26.47%	27.14%	27.60%	27.90%	28.07%	28.95%
D&A	(435)	(512)	(648)	(617)	(632)	(714)	(770)	(806)	(840)	(868)	(894)
% of sales	8.96%	9.22%	8.86%	7.93%	8.52%	8.70%	8.70%	8.70%	8.70%	8.70%	8.70%
EBIT	922	956	1,043	1,408	1,485	1,460	1,632	1,752	1,854	1,933	2,082
Margin	18.96%	17.21%	14.25%	18.09%	20.02%	17.77%	18.45%	18.90%	19.20%	19.37%	20.25%

(Data in \$ million)	Historicals					Explicit forecast					
	2020A	2021A	2022A	2023A	2024A	2025E	2026E	2027E	2028E	2029E	2030E
EBIT	922	956	1,043	1,408	1,485	1,460	1,632	1,752	1,854	1,933	2,082
Operational taxes	(212)	(220)	(240)	(324)	(342)	(336)	(375)	(403)	(426)	(445)	(479)
NOPAT	710	736	803	1,084	1,143	1,124	1,257	1,349	1,427	1,489	1,604
Depreciation	435	512	648	617	632	714	770	806	840	868	894
Gross cash flows	1,145	1,248	1,451	1,701	1,775	1,838	2,027	2,156	2,267	2,357	2,498
WC value	586	776	954	839	886	1,035	1,115	1,168	1,216	1,257	1,295
% of sales	12.06%	13.97%	13.05%	10.78%	12.60%	12.60%	12.60%	12.60%	12.60%	12.60%	12.60%
Change in noncash WC		(190)	(179)	116	(48)	(148)	(80)	(53)	(49)	(41)	(38)
% of sales	0.00%	(3.42%)	(2.44%)	1.49%	(0.64%)	(1.81%)	(0.90%)	(0.57%)	(0.50%)	(0.41%)	(0.37%)
CAPEX	(362)	(451)	(613)	(873)	(604)	(739)	(796)	(834)	(868)	(898)	(925)
% of sales	(7.46%)	(8.13%)	(8.37%)	(11.21%)	(9.79%)	(8.99%)	(8.99%)	(8.99%)	(8.99%)	(8.99%)	(8.99%)
FCFF		607	659	944	1,124	951	1,151	1,269	1,350	1,418	1,535
TV cash flow											
Year						0.5	1.5	2.5	3.5	4.5	
Discount factor						0.9637	0.8950	0.8312	0.7719	0.7168	
PV FCFF						917	1,030	1,055	1,042	1,016	
Terminal Value											32,820
PV terminal value											23,527
Enterprise Value											28,586
(Net Debt)											(5,300)
Equity Value											23,286
NOSH											132.1
Share Price											176.28
Current Share Price											267.05
Upside/Downside											-33.99%
Recommendation											SELL

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