



Eaglewing Research

AI-Augmented Equity Research

EAGLEWING INVESTMENT THESIS

Valmont Industries Inc

VMI | Fundamental Dislocations

Report date: 4 October 2026

Evidence cutoff: 4 October 2026 at 16:08 UTC

Our investment thesis, valuation scenarios and key risks over a 12-24 month horizon. The analysis reflects the evidence available at the stated cutoff. Outcomes are uncertain and outperformance is not guaranteed.

Investment overview

Valmont Industries, Inc. is a global manufacturer producing critical infrastructure support structures and mechanized agricultural irrigation equipment. The business operates across two principal segments: Infrastructure, which engineers steel, concrete, and composite structures for electric utilities, transportation, lighting, telecommunications, and industrial coatings; and Agriculture, which manufactures center pivot and linear irrigation systems alongside precision farm technology under the Valley brand. In our view, the company combines defensive industrial manufacturing with direct exposure to multi-decade electrical grid modernization.

A distinct expectations gap has emerged as the market concentrates heavily on cyclical headwinds in agriculture and potential cross-border trade friction. Shares experienced an 18.0% price retracement from their June 2026 peak of \$583.6 to \$478.7 as of October 2, 2026. This drawdown reflects market anxiety surrounding depressed farm incomes, logistics disruptions from Middle East conflicts, and Section 232 steel tariff reviews. However, the market has overlooked the powerful secular growth inside the Infrastructure segment, where North America Utility revenue expanded 33.9% year over year in the second quarter of 2026 to \$456.7 million, supported by a segment backlog of \$1,548.3 million.

Our investment thesis is underpinned by robust balance sheet fundamentals and durable competitive moats. Valmont maintains \$944.6 million in total available liquidity, an investment-grade net leverage ratio of 0.9x Adjusted EBITDA against a 3.5x credit facility ceiling, and no senior bond maturities until 2044. The primary investment risk centers on Section 232 steel tariffs applied to approximately \$220.0 million of fabricated structures imported annually from Mexico, alongside a potential extension of the agricultural down-cycle. Nevertheless, with contractual tariff pass-through mechanisms and high-voltage transmission demand accelerating, we believe the risk-reward profile offers compelling asymmetry over a 12-to-24-month horizon.

EWRS assessment

76.9 / 100



Scores reflect our evidence-based assessment, not a probability of profit. Each bar shows points earned out of that dimension's maximum. Displayed values are rounded to one decimal place; totals use the unrounded scores. Read the scores alongside the valuation assumptions, risks and limitations; a high score does not guarantee investment success.

Our investment thesis

Our investment thesis is that Valmont is positioned to generate above-average earnings and cash flow growth over the next 12 to 24 months as secular electrical grid expansion offsets a trough in agricultural equipment demand. In our fundamental diagnostic framework, Valmont achieves a composite score of 76.9 points out of 100.0, passing all seven analytical dimensions including business durability, earnings quality, financial resilience, expectations, recovery mechanism, valuation, and management stewardship. This scorecard reflects the company's strong structural attributes, disciplined cost structure, and attractive risk-reward profile rather than a guaranteed probability of investment success.

The core driver of our thesis is the transformation of Valmont's earnings mix toward high-voltage transmission and substation infrastructure. Structural electricity demand from artificial intelligence data centers, industrial electrification, and regulatory mandates under Federal Energy Regulatory Commission Order No. 1920 is fueling utility capital expenditure. This is evidenced by Valmont's 33.9% North America Utility sales growth in the second quarter of 2026, which outpaced peer Arcosa's 12.0% utility structure expansion. Valmont's firm Infrastructure backlog of \$1,548.3 million provides multi-year visibility, allowing manufacturing facilities to operate at elevated utilization and expand segment operating margins to 17.6%.

Simultaneously, management has simplified the business portfolio by exiting commoditized solar tracker lines, taking long-lived asset impairments in 2025, and settling legacy Brazilian legal claims for \$20.3 million in the second quarter of 2026. While management established ambitious 2029 Investor Day targets of \$5.4 billion in sales, a 17.0% operating margin, and \$35.0 earnings per share, our positive view does not depend on achieving these long-term targets. Instead, we project that maintainable through-cycle earnings will rise from a normalized baseline of \$19.0 per share to \$25.0 per share in our base case by early 2028 through organic transmission execution, steady capital allocation, and disciplined share repurchases.

What market expectations may be missing

The market currently values Valmont at approximately 16.5x trailing twelve-month earnings, pricing the stock as a cyclical industrial nearing the top of its profit cycle. Prevailing sentiment reflects three distinct worries: first, that the 2026 U.S. farm income contraction forecast by the Department of Agriculture at 5.5% in real terms will trigger an extended depression in center pivot irrigation sales; second, that modified Section 232 steel tariffs will impose unrecoverable cost burdens of \$22.0 million to \$55.0 million annually on Mexican structure imports; and third, that utility structure demand is experiencing a temporary inventory restocking bubble that will deflate by 2027.

Our analysis indicates that these expectations misunderstand the secular foundation of utility transmission spending and overstate the permanence of cyclical headwinds. High-voltage transmission buildouts require multi-year engineering and procurement cycles that cannot be quickly reversed, as electric utilities must interconnect hyperscale data centers and replace aged transmission assets. Furthermore, competitor filings from Arcosa confirm record utility structures backlog growth of 49.0%, demonstrating industry-wide structural demand rather than isolated dealer restocking. Valmont's input-based over-time revenue recognition and progress billings reflect legally enforceable contracts with reasonable profit guarantees.

Regarding trade policy, market fears over Section 232 tariffs fail to recognize that Valmont's Monterrey facility fabricates structures primarily utilizing U.S. melted and poured steel, qualifying for the 10.0% preferential tariff rate under the revised 85.0% domestic content threshold. Additionally, Valmont's preferred-provider agreements with utilities include contractual cost-escalation clauses that allow raw material and tariff surcharges to be passed through to customers. In Agriculture, peer results from Lindsay Corporation show similar North American volume declines of 8.0%, confirming a normal sector cycle rather than market share loss for Valley irrigation. We expect these perceived headwinds to ease over our 12-to-24-month horizon.

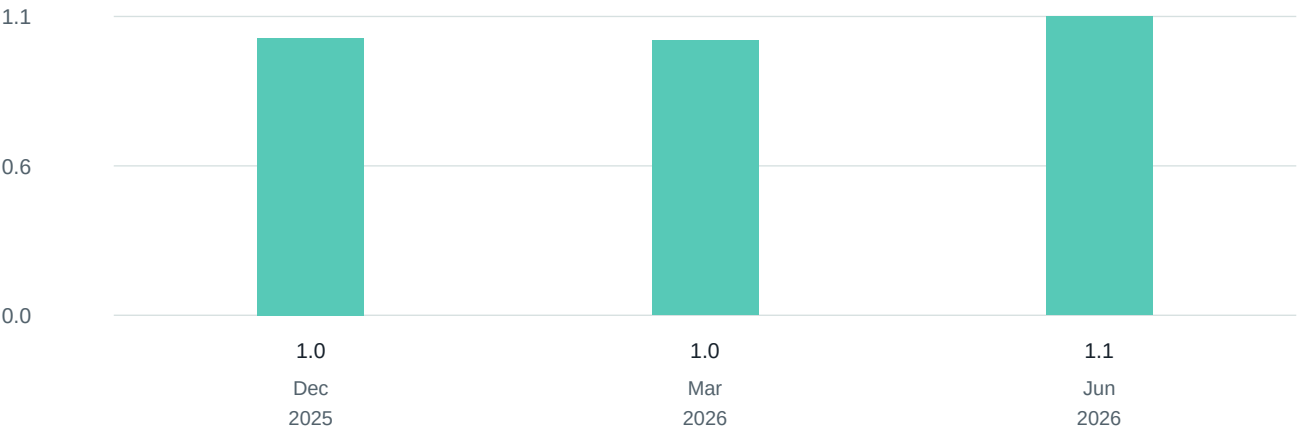
Business quality and financial condition

Valmont operates businesses with substantial competitive moats and high customer retention. The Valley brand represents the global benchmark in mechanized irrigation, backed by an independent dealer network of approximately 250 North American and 400 international locations across more than 60 countries, and an installed base of over 175,000 connected devices. In Infrastructure, Valmont is a leading North American fabricator of engineered steel utility structures, benefiting from multi-year preferred-provider arrangements and specialized engineering expertise across more than 80 global facilities. The Coatings segment operates one of the largest custom hot-dip galvanizing networks globally, naturally protected against distant competition by a 300 to 500 mile freight radius.

Financial performance demonstrates strong operating discipline and pricing power. For the first half of 2026, consolidated revenue grew 6.3% year over year to \$2,147.9 million, and operating income increased 104.2% to \$321.7 million, yielding an operating margin of 15.0%. Consolidated gross margin remained steady at 30.6% in the first half of 2026 compared to 30.2% in fiscal 2025, demonstrating effective recovery of input cost fluctuations through commodity hedges covering 27,000 short tons of steel coil and contractual indexing. Cash conversion is structurally high: trailing twelve-month operating cash flow reached \$475.3 million and free cash flow reached \$322.1 million, easily funding capital expenditures of \$153.2 million.

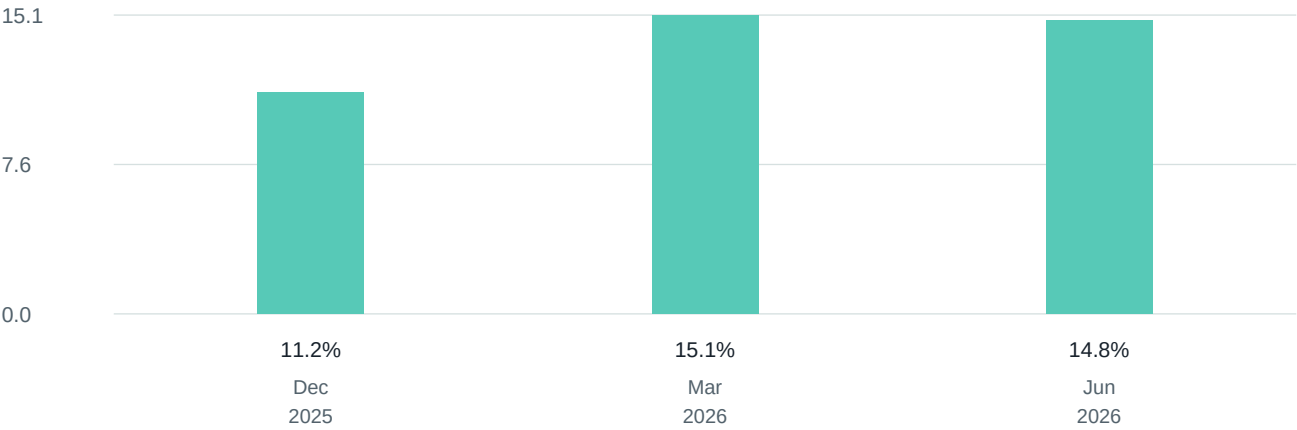
The balance sheet is conservative and fully investment-grade, rated Baa2 by Moody's and BBB+ by S&P with stable outlooks. As of June 27, 2026, total carrying debt was \$730.7 million, consisting of \$434.8 million in 5.0% senior notes due 2044 and \$295.7 million in 5.25% senior notes due 2054, with near-term debt installments of only \$0.1 million. With \$139.1 million in cash and zero borrowings on its \$800.0 million credit facility maturing in July 2030, total liquidity stands at \$944.6 million. Net debt of \$666.2 million represents a covenant leverage ratio of 0.9x Adjusted EBITDA, well below the 3.5x covenant ceiling, providing \$527.5 million in EBITDA cushion (a 73.5% cushion). Deloitte & Touche LLP issued an unqualified audit opinion on financial statements and internal controls.

Revenue | Quarterly | USD billions



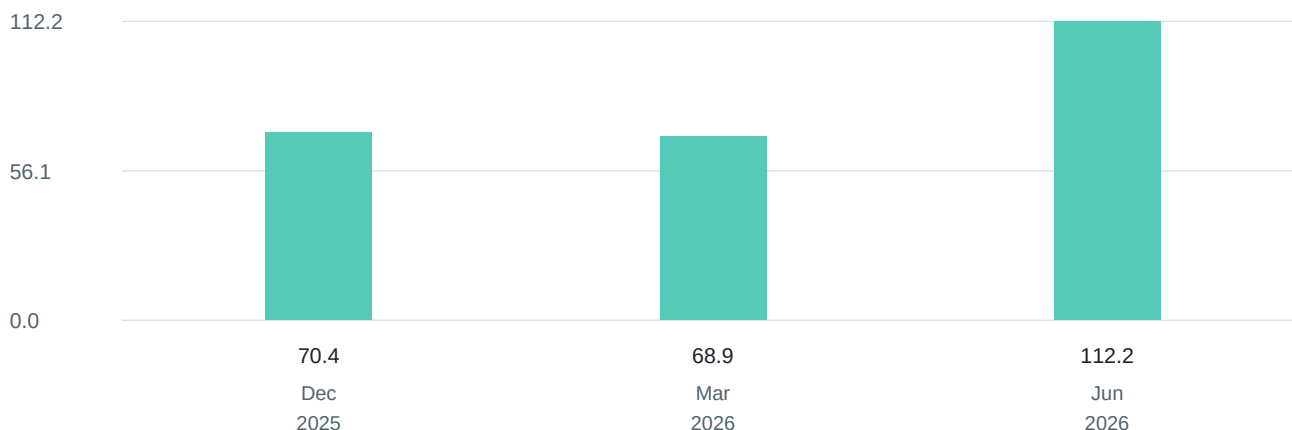
Showing 3 available quarterly periods, up to the latest 15. Period ends are shown below each value. Normalized reported values, not forecasts. Latest retained filing at the evidence cutoff; unavailable or conflicting values remain gaps.

Operating margin | Quarterly | %



Showing 3 available quarterly periods, up to the latest 15. Period ends are shown below each value. Operating income / revenue. Zero or unavailable revenue has no margin. Latest retained filing at the evidence cutoff; gaps are not zero.

Free cash flow | Quarterly | USD millions



Showing 3 available quarterly periods, up to the latest 15. Period ends are shown below each value. Normalized reported values, not forecasts. Latest retained filing at the evidence cutoff; unavailable or conflicting values remain gaps.

Valuation: bear, base and bull cases

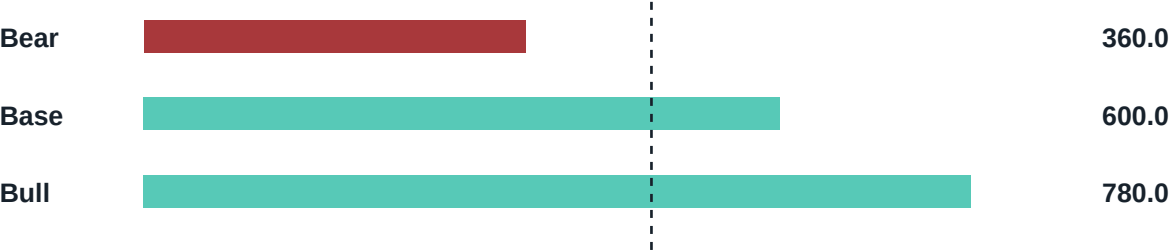
We evaluate Valmont's valuation over an 18-month horizon to March 31, 2028, using a scenario-based framework anchored by normalized non-peak earning power. Rather than extrapolating peak annual run-rate earnings of \$28.98 per share or relying on management's 2029 target of \$35.0 per share, we synthesize a normalized maintainable earnings range of \$16.5 to \$21.5 per share, with a cycle midpoint of \$19.0 per share. This baseline is established through three independent methods: segment margin decomposition assuming a 14.5% normalized Infrastructure margin and a 12.0% Agriculture margin; four-year historical cycle averaging yielding a 12.8% operating margin; and sustainable maintenance free cash flow of \$380.0 million.

Against the closing reference price of \$478.7 as of October 2, 2026, our base case yields a target price of \$600.0 per share, representing a 25.3% price return and a 16.3% annualized price return. The base case assumes 12.0% to 14.0% annual growth in North America Utility, Section 232 steel tariffs maintained at the 10.0% preferential rate with customer pass-through, and agricultural revenue stabilizing in 2027. Under these conditions, consolidated net sales reach \$4,650.0 million with a 14.5% operating margin, producing \$25.0 in diluted earnings per share across 19.1 million shares, valued at an exit price-to-earnings multiple of 24.0x.

Our bear case bounds downside risk at \$360.0 per share (-24.8% price return), assuming an extended agricultural depression through 2028, ongoing Middle East shipping disruptions, and a 25.0% tariff rate on Mexican imports (\$55.0 million pretax cost) with only 50.0% passed through. Diluted earnings compress to \$15.0 per share, valued at 24.0x earnings. Our bull case models an accelerated grid supercycle with 20.0% annual utility growth and an 8.0% agricultural rebound, generating \$31.3 in earnings per share and a target price of \$780.0 (+62.9% return, 37.8% annualized) at 24.9x earnings. Probability-weighting these scenarios (25.0% bear, 50.0% base, 25.0% bull) results in an expected price of \$585.0 and a 14.3% annualized price return. Upside-to-downside asymmetry is 2.5x, satisfying our return criteria.

Scenario price comparison

USD per share. Reference price 478.7 on 2 October 2026. Scenario horizon: 31 March 2028. Estimates, not guaranteed outcomes.



Dashed line: dated reference price. Scenarios are model assumptions, not historical observations.

Bear: Persistent agricultural recession through 2028; Middle East logistics gridlock suppresses international ag deliveries; adverse CBP valuation findings impose 25% Section 232 tariffs (\$55.0M pretax) with partial cost absorption; utility transmission growth decelerates to 3.0%; diluted EPS compresses to \$15.00; valuation multiple contracts to 24.0x.

Base: North America Utility transmission grows 12%-14% p.a. converting \$1,548M backlog; Monterrey Mexican plant meets 85% US steel threshold securing 10% tariff rate with contractual customer pass-through; international agriculture stabilizes and grows 3%-4% as shipping corridors reroute; clean run-rate post-Brazil legal settlement; consolidated sales \$4,650M with 14.5% operating margin; EPS reaches \$25.00 on 19.10M shares; 24.0x exit P/E.

Bull: Transmission supercycle accelerates (+20% p.a.) driven by AI data center interconnection mandates under FERC Order 1920; global agriculture equipment demand rebounds (+8% p.a.) on EMEA food security contracts; fixed overhead leverage expands operating margin to 16.0%; consolidated sales reach \$5,100M; diluted EPS reaches \$31.30 on 18.80M shares; 24.9x exit P/E.

The case for potential S&P 500 outperformance

We evaluate potential outperformance relative to the S&P 500 price index over our 12-to-24-month horizon. Historically, the broad price index has generated annualized capital appreciation in the 8.0% to 10.0% range. Against this benchmark, our base case annualized price return expectation of 16.3% (and probability-weighted annualized return of 14.3%) indicates an attractive margin of potential outperformance driven by company-specific operational catalysts.

The foundation for outperformance is the conversion of Valmont's \$1,548.3 million Infrastructure backlog at expanding segment operating margins. While broad industrial indices face mixed capital expenditure trends, Valmont's utility transmission business operates with high demand visibility driven by mandatory grid interconnects. Operating income expanded 467.4% year over year in the second quarter of 2026 to \$166.1 million as prior-year asset impairments ceased, demonstrating substantial operational leverage. Furthermore, the completed \$20.3 million Brazilian legal settlement and receivable recoveries eliminate historical SG&A burdens.

Shareholder returns provide additional support through disciplined capital allocation. In February 2026, the Board raised the regular quarterly dividend by 13.2% to \$0.8 per share (\$3.1 annualized), and the company maintains \$450.6 million in remaining share repurchase authorization, having repurchased 249,916 shares for \$116.5 million in the first half of 2026. This systematic equity reduction enhances earnings per share growth and reinforces downside support, positioning Valmont favorably against general market indices.

Catalysts over the next 12-24 months

We monitor several identifiable, dated catalysts that have the potential to narrow the expectations gap over the next 12 to 24 months. The earliest regulatory catalyst is the conclusion of Customs and Border Protection inquiries regarding Section 232 steel valuation methodologies, anticipated by the first quarter of 2027. Confirmation that Valmont's Mexican utility structures qualify for the 10.0% preferential rate under the 85.0% domestic content rule will remove an overhang and validate supply-chain compliance.

The next operational milestone is the release of full-year 2026 financial results in February 2027. Following management's guidance increase in July 2026, audited annual filings will provide formal verification of whether utility revenue momentum sustained double-digit growth and whether consolidated operating margins remained above 14.5%. A clean filing will also confirm that Brazilian legal expenses and credit loss provisions remain normalized following the second quarter 2026 settlement.

Over a medium-term horizon through mid-2027, regional state cost-allocation negotiations under Federal Energy Regulatory Commission Order No. 1920 will conclude, converting long-term regional transmission plans into binding utility purchase orders. Concurrently, freight rerouting and logistics stabilization around the Dubai hub are expected to enable international agriculture shipments to recover by mid-2027. In governance, an orderly Board leadership transition is scheduled for December 26, 2026, when Chairman Mogens Bay retires and is succeeded by Lead Independent Director Catherine Paglia.

No sufficiently dated event series was available for a timeline. See the catalysts and risks discussed in the report.

Risks and contrary evidence

The adversarial case against Valmont centers on the premise that current earnings reflect peak cyclicality in North American utility structures, masking broader industrial weakness. Evidence of uneven infrastructure demand is visible across adjacent product lines: in the second quarter of 2026, North America Telecommunications sales declined 26.1% to \$57.0 million due to carrier budget reductions, and Lighting and Transportation sales decreased 2.4% to \$130.5 million. Peer reporting from Arcosa also showed mixed conditions, with wind tower revenue contracting 19.0% and telecom structures weakening despite 12.0% growth in utility structures. If utility spending slows due to regulatory delays or financing constraints, Valmont would face operating deleverage across its newly expanded plant capacity.

Cross-border trade policy represents an immediate operational risk. Valmont imported approximately \$220.0 million of fabricated steel structures from Mexico in fiscal 2025. While management expects these imports to qualify for a 10.0% preferential tariff rate, Customs and Border Protection is actively reviewing historical valuation methods. If customs authorities issue adverse determinations or disqualify domestic-content certifications, tariffs could escalate to 25.0% or 50.0%, creating \$55.0 million to \$110.0 million in pretax friction (\$2.1 to \$4.2 per share). Because production spans several months on fixed-price contracts, Valmont would temporarily absorb these costs before enacting customer surcharges.

In Agriculture, macroeconomic headwinds may persist longer than anticipated. The Department of Agriculture forecasts a 5.5% real decline in 2026 net farm income, with total farm expenses rising 4.5% to \$492.8 billion. Peer Lindsay Corporation reported an 8.0% drop in North American irrigation volumes. Internationally, Valmont's Agriculture sales fell 28.9% in the second quarter of 2026 due to transit disruption from Middle East conflict around its Dubai hub. Additionally, executive turnover-including the departure of Chief Financial Officer Thomas Liguori in May 2026, succeeded by John Schwietz-requires continued oversight during a complex operating period.

What remains uncertain

Several material variables cannot be definitively resolved from current evidence and warrant ongoing evaluation. The first is the final binding outcome of Customs and Border Protection inquiries into Section 232 tariff valuation methodologies. While management believes its practices comply with customs guidance and has accrued no additional liabilities, customs responses have shown varying conclusions across individual entries, leaving final financial exposure uncertain.

A second key uncertainty is the duration and severity of geopolitical conflict in the Middle East. Valmont's international agriculture operations are managed through its regional hub in Dubai, United Arab Emirates. Continued regional disruption to logistics routes, shipping corridors, and installation sites could defer project completion dates and depress international revenue beyond current estimates.

A third uncertainty is the timing of an inflection in global agricultural commodity prices and net farm income. While irrigation conversion is supported by long-term water conservation needs, farmer capital expenditure remains highly discretionary. Whether U.S. farm income stabilizes in 2027 depends on harvest volumes, input costs, and export trade relations that remain outside the company's control.

What would invalidate our thesis

We establish precise operational thresholds that would invalidate our positive thesis and prompt a rating downgrade. The primary falsifier in Infrastructure would be a decline in book-to-bill below 0.95x, or deceleration of North America Utility revenue growth below 5.0% year over year for two consecutive quarters, indicating that transmission demand is cyclical rather than structural.

In regulatory and trade matters, our thesis would be invalidated if Customs and Border Protection issues an adverse final determination assessing retroactive duties exceeding \$15.0 million, or if Valmont fails to qualify for the 10.0% preferential tariff rate, resulting in unrecovered annual tariff expenses exceeding \$25.0 million. In addition, an inability to pass raw material and tariff increases to utility customers would directly disprove our pricing power assumption.

In Agriculture and corporate profitability, our thesis would be compromised if international agriculture revenue contracts by more than 15.0% year over year in both the first and second quarters of 2027, or if consolidated operating margin falls below 11.0% on a trailing twelve-month basis. Finally, any resurgence of material Brazilian litigation liabilities exceeding \$10.0 million would indicate that historical legal risks were not cleanly resolved.

Methodology note

We use our proprietary Eaglewing Research System (EWRS) to assess evidence, valuation, risks and contrary views. We develop and cross-check our investment thesis and research report, weighing the supporting evidence against risks, alternative explanations and valuation assumptions.

Important disclaimer

Research and informational purposes only, not investment advice. Valuation scenarios are assumptions, not promises. Outperformance is not guaranteed; an investment may lose value. The S&P 500 comparison uses price returns and excludes dividends, fees and taxes.

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