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Investments - Flash

MATERIALS AND INFRASTRUCTURE: A STRATEGIC FOCUS IS EMERGING

Structural support for major Investment plans

The construction materials and infrastructure sector is undergoing a period of adjustment marked by a sharp decline in stock prices (MSCI World Construction & Materials Index: -30%). Persistently high real interest rates and unfavorable weather conditions in the first half of the year temporarily weighed on delivery volumes and delayed the start of certain construction projects. This compression in valuation multiples masks a fundamental shift in the sector's dynamics. The sector is transitioning from a historical dependence on the residential housing market to a structural anchoring in the supercycle of public infrastructure and the energy transition. The outlook for major players now extends to a 5- to 10-year horizon, driven by the effective implementation of major government programs. In the United States, the rollout of federal laws (the IIJA and CHIPS Act) is entering its peak disbursement phase. Budgets allocated to transportation infrastructure and water systems are experiencing an unprecedented surge. Between 2024 and 2030, public spending on infrastructure in the United States and Europe is expected to grow by a cumulative 45% to 100%, depending on the region. Strong demand for data centers and industrial reshoring is creating a new, high-margin growth driver. In Europe, environmental standards and energy-efficiency renovation guidelines provide a foundation for recurring demand, sustaining manufacturers' order backlogs, which represent, on average, 3 to 5 years of guaranteed revenue. From a stock market perspective, the recent correction offers attractive entry points for leading companies with strong pricing power. For example, Vulcan Materials is the premier pure-play in the U.S. aggregates sector, benefiting from virtually insurmountable barriers to entry at its quarries. CRH plc, now listed in New York, stands out as the integrated transatlantic infrastructure giant with significant upside potential. Saint-Gobain demonstrates remarkable resilience thanks to its dominant position in construction and renovation chemicals in Europe, while trading at an attractive valuation discount. Finally, Heidelberg Materials benefits from a discounted value profile and a decisive technological lead in carbon capture and storage (CCUS). The sector's earnings per share (EPS) growth outlook remains strong, with expectations of 15% to 25% annually through 2028. The acceleration in budget disbursements creates a robust cash flow floor, offering a very favorable risk-return profile for optimal diversification.