PriceTarget Research

VALUATION SCORECARD

Valmont Industries Inc

NYSE: VMI

FABRICATED STRUCTURAL METAL Cyclical

MARKET VALUE ($MIL)	$4,742	YIELD:	1.1%	02/21/24
SHARES OUTS (MIL):	20.89	P/E:	14.9X	Price:
AVG DAILY VOL (000):	162	BETA:	1.06X	**$227.00**

At the current price of $227, what are market expectations regarding Valmont Industries' future operating performance? Over the next 6 years, Valmont Industries shares will need to reach $381 to achieve average annual stock market performance of 9.0%. To achieve Upper quartile performance, Valmont Industries' stock price will need to reach $448 by 2028.

PROFILE

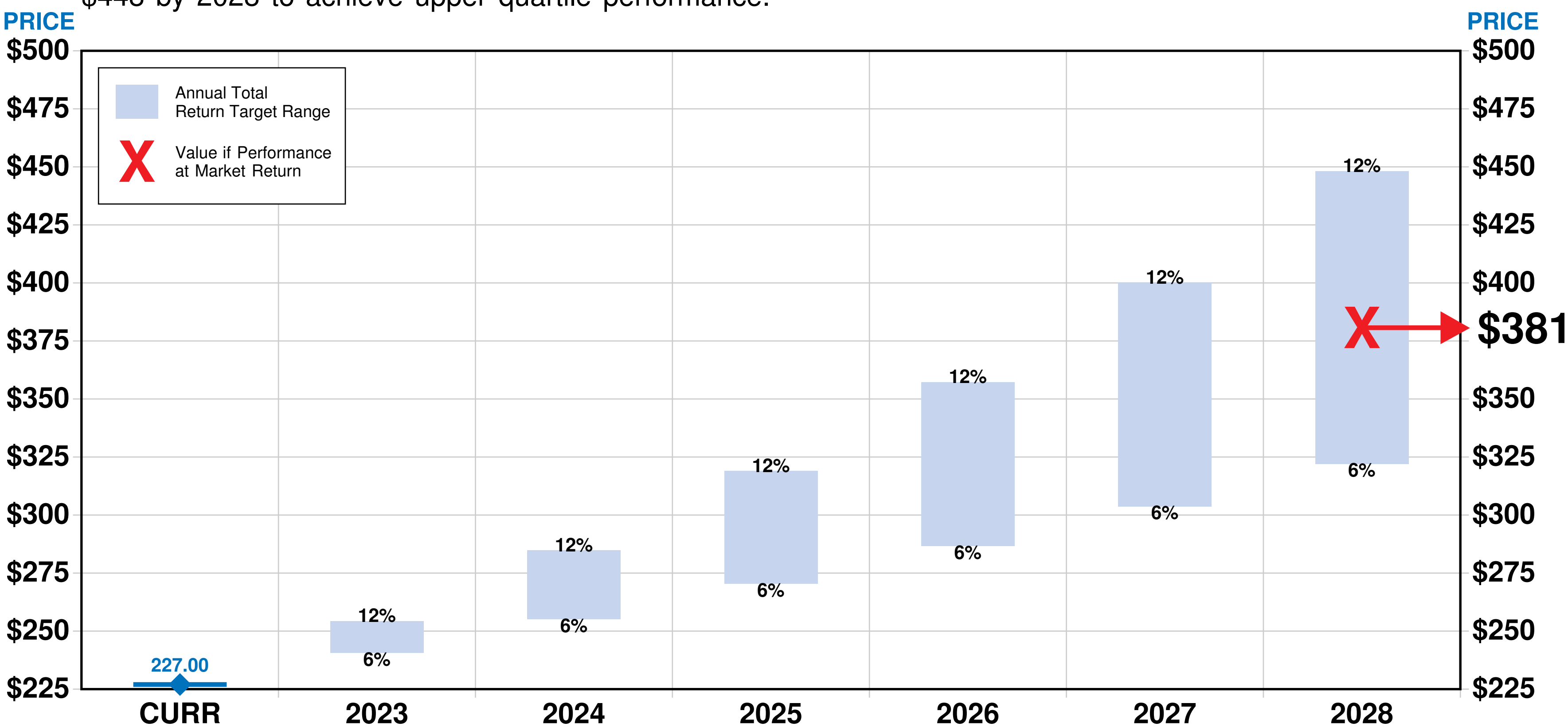
- Valmont Industries' important characteristics: high expected growth, below average financial strength, instability, and low profitability. Growth is a big positive influence on Valmont Industries' valuation while Risk Profile is a big negative influence.
- Very high valuation, lagging shareholder returns.
- Valmont Industries' historical growth is very high.
- Asset Turnover is group leading. Pretax Margin is group lagging.
- Valmont Industries' risk profile is unfavorable.

Valmont Industries Inc

Insight into Valmont Industries' Valuation

The Value Challenge
How Does Valmont Industries Get to $381 by 2028?

At the current price of $227, what are market expectations regarding Valmont Industries' future operating performance? Over the next 6 years, Valmont Industries shares will need to reach $381 to achieve average annual stock market performance of 9.0%. Valmont Industries' stock price will need to reach $448 by 2028 to achieve upper quartile performance.



Diamonds represent Valmont Industries warranted value based on scenario assumptions and PTR proprietary analysis. Shaded bands represent year–end stock price necessary to achieve target returns.

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Executive Summary

- **Valmont Industries' important characteristics:** high expected growth, below average financial strength, instability, and low profitability. Growth is a big positive influence on Valmont Industries' valuation while Risk Profile is a big negative influence.

- **Very high valuation, lagging shareholder returns.** Current valuation levels are very high relative to the Valmont Industries Peer Group. Recent market returns have substantially underperformed the Valmont Industries Peer Group. Total shareholder returns are expected to seriously beat the overall equity market in the future. Based on current investor expectations, Valmont Industries shares should reach a level of $436 by 2028 -– an annual total shareholder return of 12.6%. A 2028 stock price of $381 would reflect median performance and a price of $448 would be required to reach upper quartile performance.

- **Growth has been Valmont Industries' biggest valuation strength.** Historical growth has been very high relative to the Valmont Industries Peer Group and forecasted growth is relatively very high. Revenue Growth has been superior. This factor has buoyed market perceptions of Valmont Industries. Valmont Industries' historical income statement growth has been higher than growth in the balance sheet. Revenue growth has exceeded asset growth; earnings growth has exceeded equity growth resulting in an improving return on equity. Valmont Industries' consensus growth expectations are lower than historical growth.

- **Pretax Margin is group lagging.** The company has high excess cash and will have to work to reinvest at attractive returns to support profitability and valuation.

- **Valmont Industries' risk profile is unfavorable.** Overall variability has been only average with only average revenue variability, above average E.P.S. variability, and only average stock price volatility. Financial Strength is only average and earnings' expectations are below average. The debt/capital ratio has risen.

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Valuation Scorecard

WEALTH CREATION	GROWTH	PROFITABILITY	RISK
Favorable	Favorable	Mixed	Unfavorable

WEALTH CREATION — Favorable

- **Historical performance.** Strong 5–year total returns relative to Valmont Industries Peer Group. One year returns very weak. Valuation is very high relative to group. Annual growth in warranted value has been very strong.
- **Market expectations.** Total shareholder returns forecasted to seriously beat the overall equity market in the future. Based on current investor expectations, Valmont Industries shares should reach a level of $436 by 2028 –– an annual total shareholder return of 12.6%.

GROWTH — Favorable

- **Historical performance.** Revenue Growth has been superior.
- **Market expectations.** Historical growth has been very high relative to the Valmont Industries Peer Group and forecasted growth is relatively very high.
- **Valuation key.** The company has high excess cash and will have to work to reinvest at attractive returns to support profitability and valuation.

PROFITABILITY — Mixed

- **Historical performance.** Asset Turnover is group leading. Pretax Margin is group lagging.
- **Market expectations.** The company has experienced a very significant decline in ROE along with a significant reduction in shares outstanding. Forecasts will have to incorporate these trends.
- **Valuation key.** Valmont Industries' high excess cash will need to be reinvested at attractive returns to maintain profitability.

RISK — Unfavorable

- **Historical performance.** Financial Strength is only average. Debt/capital ratio has risen. Overall variability has been only average.
- **Market expectations.** Overall variability average. Earnings' expectations are below average.
- **Valuation key.** Valmont Industries' unfavorable risk profile has a negative impact on Valmont Industries' valuation.

Valmont Industries Peer Group (13 Companies)

Applied Industrial Technologies

Cooper Tire & Rubber Co

EnerSys

Federal Signal Corp.

Greif Inc.

Lindsay Corp

Monro Inc

Moog Inc.

Ralph Lauren Corp

Standex International Corp

UniFirst Corp

Universal Corp

Valmont Industries Inc

Summary – Current Valuation

- **Relative to S&P 500 Composite, VMI's overall valuation is low.**
  - The highest factor, the price/earnings ratio, is above median. Ratio of enterprise value/assets is slightly above median. Price/equity ratio is at median. Ratio of enterprise value/earnings before interest and taxes is lower quartile. The lowest factor, the ratio of enterprise value/revenue, is lower quartile.
- **Relative to Valmont Industries Peer Group, VMI's overall valuation is high.**
  - The highest factor, the price/earnings ratio, is upper quartile. Ratio of enterprise value/assets is above median. Price/equity ratio is at the upper quartile. Ratio of enterprise value/revenue is at median. The lowest factor, the ratio of enterprise value/earnings before interest and taxes, is at the lower quartile.

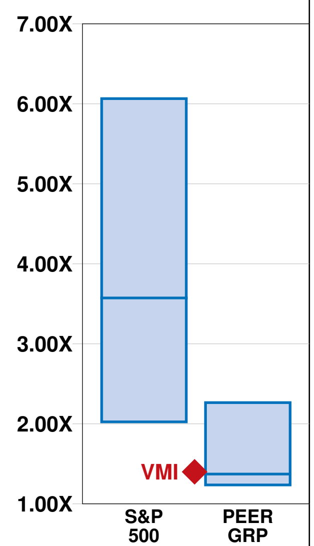
Valuation Relative to Key Groups

Valmont Industries' valuation relative to S&P 500 Composite is modestly lower than it is relative to Valmont Industries Peer Group. Relative to Valmont Industries Peer Group, VMI's overall valuation is high. The highest factor, the price/earnings ratio, is upper quartile. Ratio of enterprise value/assets is above median. Price/equity ratio is at the upper quartile. Ratio of enterprise value/revenue is at median. The lowest factor, the ratio of enterprise value/earnings before interest and taxes, is at the lower quartile.

ENTERPRISE VALUE/REVENUE

VMI = 1.37X

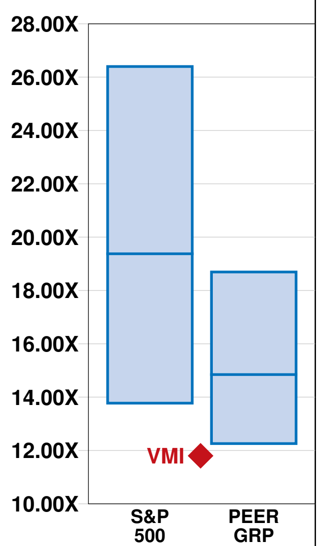
($5,884.7 / $4,290.6)



ENTERPRISE VALUE/EBIT

VMI = 12.03X

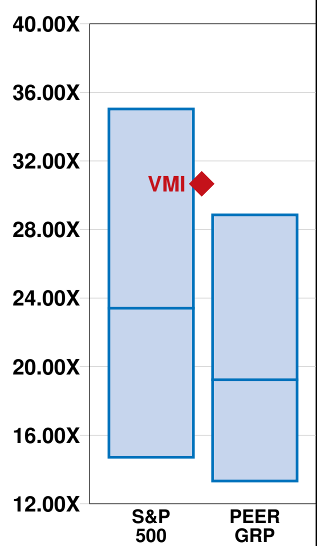
($5,884.7 / $489.3)



PRICE/ EARNINGS

VMI = 30.55X

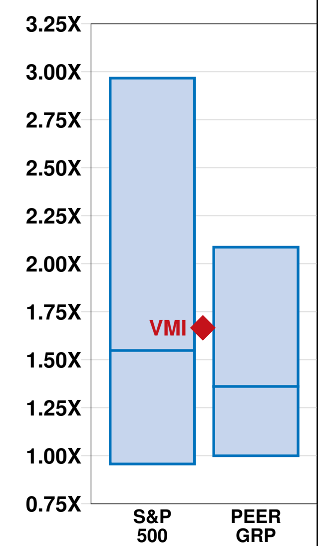
($4,742.3 / $155.2)



ENTERPRISE VALUE/ASSETS

VMI = 1.69X

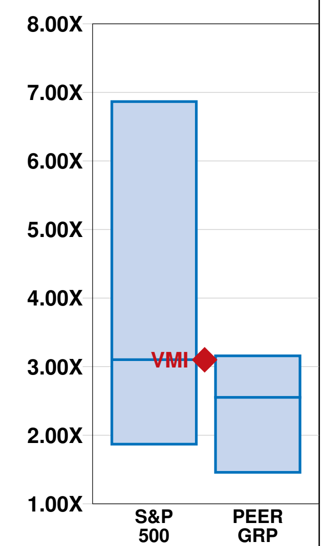
($5,884.7 / $3,486.2)



PRICE/ EQUITY

VMI = 3.16X

($4,742.3 / $1,501.7)



Individual valuation measures for each group are percentiled and compared to Valmont Industries values. High end of bar represents group upper quartile value. Lower end represents lower quartile value. Middle line represents group median. Valmont Industries value is represented by diamond.

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Investment Performance vs. S&P 500

- **Valmont Industries' annual total return performance of –30.9% for the year ending January, 2024 is lower quartile.**
- **Over the last 5 years, Valmont Industries' annual total return performance has been average. By quartile, annual total returns have been:**
  - bottom quartile for 2 of the last 3 years.
  - variable over the last 5 annual periods.
  - upper quartile for 3 of the last 6 annual periods.
- **Valmont Industries' current 5–year total return performance of 13.0% through January, 2024 is above median.**
- **Over the last 5 years, Valmont Industries' 5–year total return performance has been superior. 5–year total returns by quartile have been:**
  - second quartile for 2 of the last 3 5–year periods.
  - second quartile for 4 of the last 5 5–year periods.
  - second quartile for 5 of the last 6 5–year periods.

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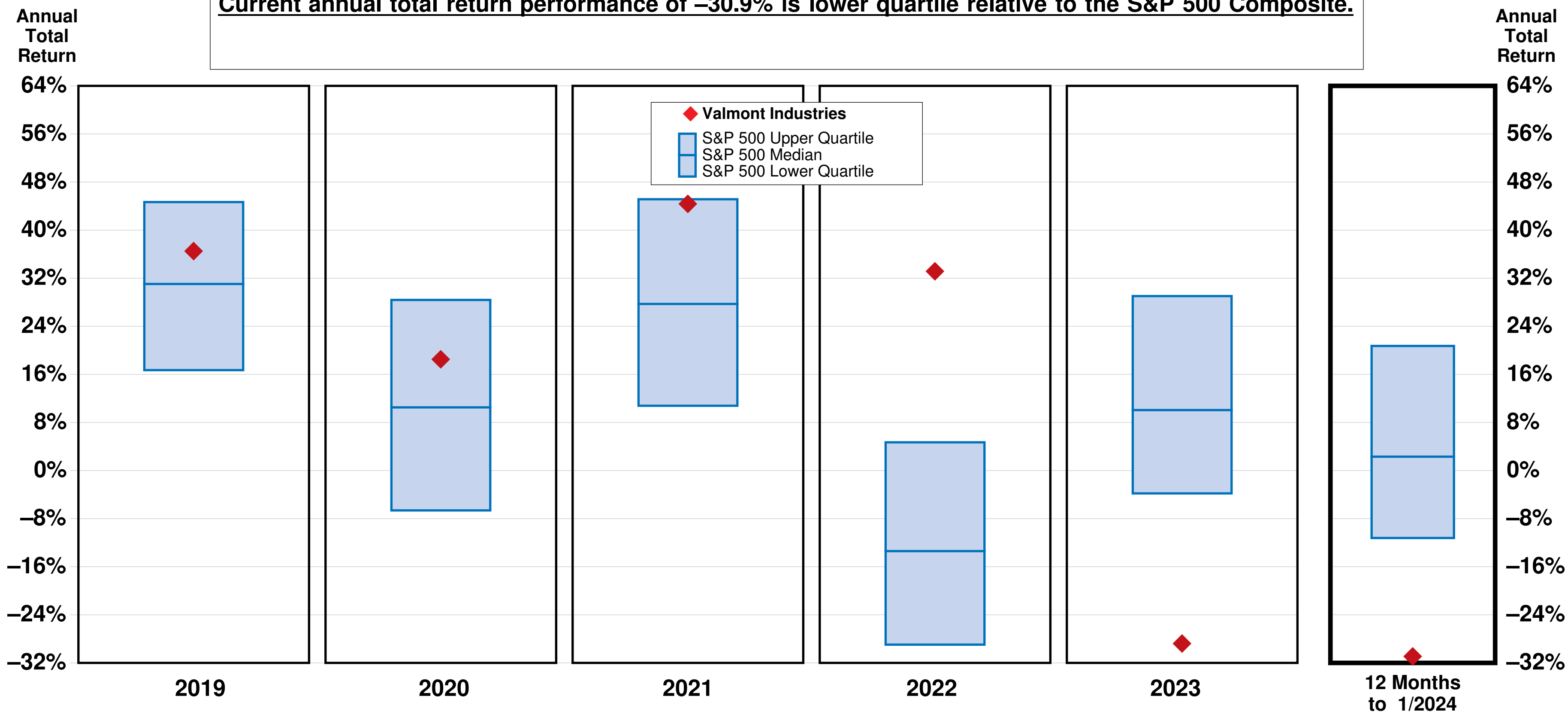
Annual Total Returns vs. S&P 500 Composite

Current annual total return performance of –30.9% is lower quartile relative to the S&P 500 Composite.



Total returns are annualized and include price appreciation and common dividends accumulated during each period. Valmont Industries returns represented by diamond; S&P 500 Composite upper quartile by upper end of bar; lower quartile by lower end; median returns by the line.

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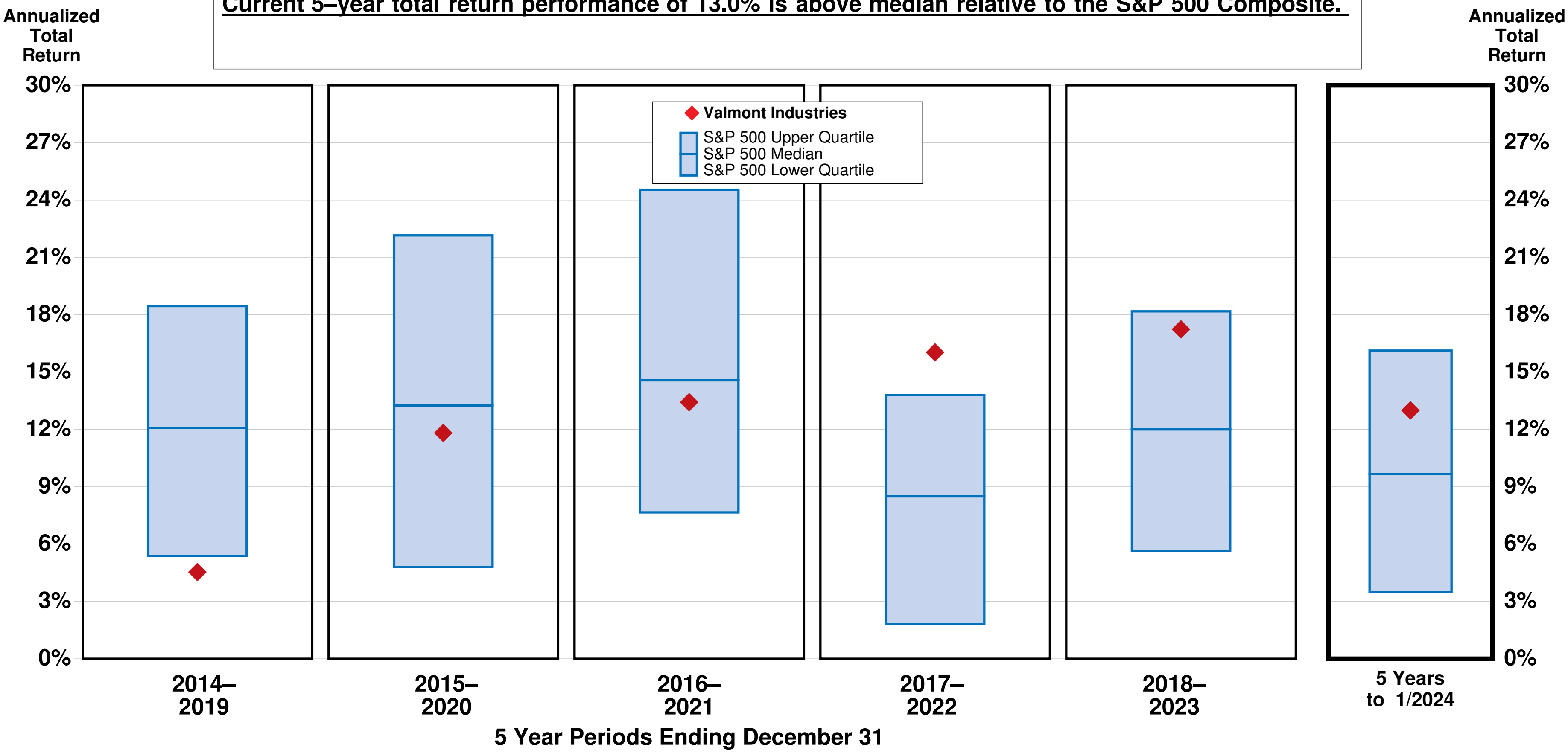
5 Year Annualized Total Returns vs. S&P 500 Composite

Current 5–year total return performance of 13.0% is above median relative to the S&P 500 Composite.



Total returns are annualized and include price appreciation and common dividends accumulated during each period. Valmont Industries returns represented by diamond; S&P 500 Composite upper quartile by upper end of bar; lower quartile by lower end; median returns by the line.

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Summary – Growth Profile

- **Historical growth profile. Valmont Industries' historical income statement growth has been in line with balance sheet growth. Revenue growth has paralleled asset growth; earnings growth has paralleled equity growth.**
  - Annual revenue growth has been 5.5% per year. (More recently it has been 14.0%.)
  - Total asset growth has been 5.5% per year.
  - Annual E.P.S. growth has been 8.4% per year. (More recently it has been 26.3%.)
  - Equity growth has been 4.5% per year.

- **Growth profile vs. Valmont Industries Peer Group. Relative to the Valmont Industries Peer Group, Valmont Industries' historical growth measures are erratic.**
  - E.P.S. growth (8.4%) has been above median.
  - Revenue growth (5.5%) has been at median.
  - Total asset growth (5.5%) has been substantially below median.
  - Equity growth (4.5%) has been lower quartile.

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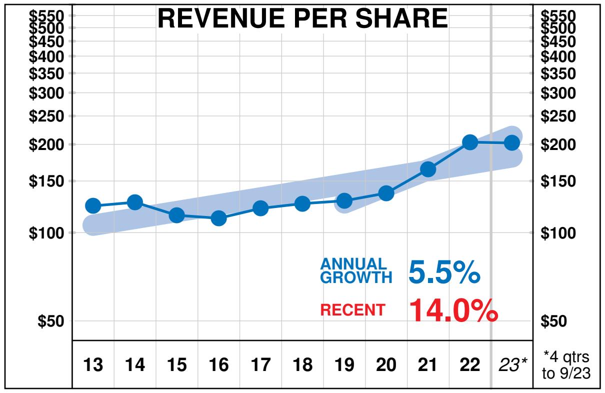
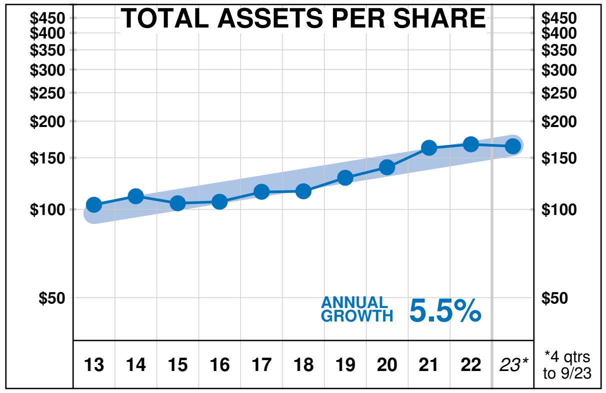
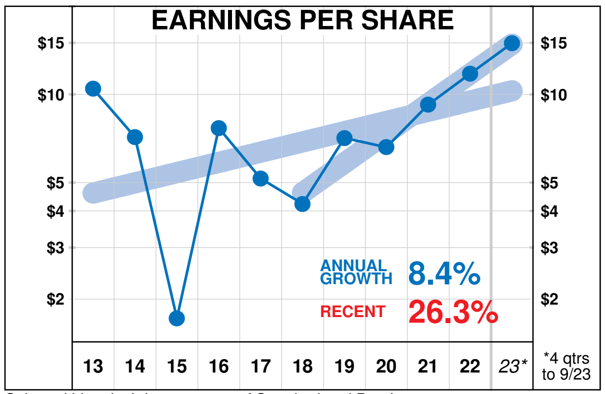
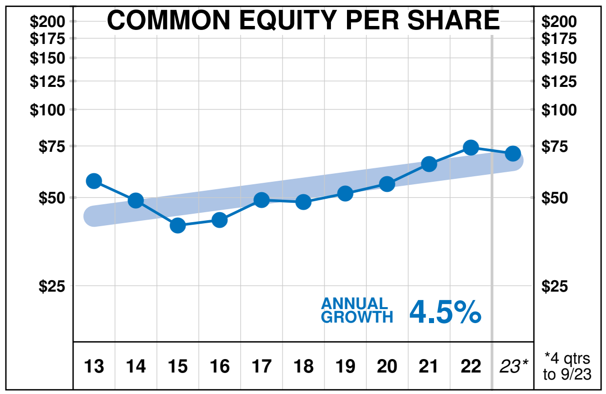
Growth Profile For Period 2013–2023

Valmont Industries' historical income statement growth has been in line with balance sheet growth. Revenue growth has paralleled asset growth; earnings growth has paralleled equity growth. Annual revenue growth has been 5.5% per year. (More recently it has been 14.0%.) Total asset growth has been 5.5% per year. Annual E.P.S. growth has been 8.4% per year. (More recently it has been 26.3%.) Equity growth has been 4.5% per year.





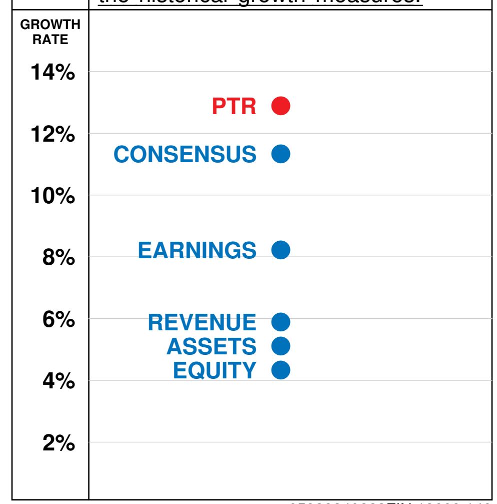




FORECAST VS. HISTORY

ACCELERATION

Valmont Industries' consensus growth rate forecast (average of Wall Street analysts) is 11.2% –– substantially above the average of the historical growth measures. PTR's growth rate forecast of 13.0% is in line with the consensus and substantially above the average of the historical growth measures.



Selected historical data property of Standard and Poor's

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Longer term growth rates in revenue, net income, total assets, and common equity are derived from a least–squares statistical analysis of Valmont Industries' historical performance and are on a per share basis. (Where indicated, a significantly different shorter term trend is also presented.) Note that the consensus growth rate forecast is the average of available Street forecasts.

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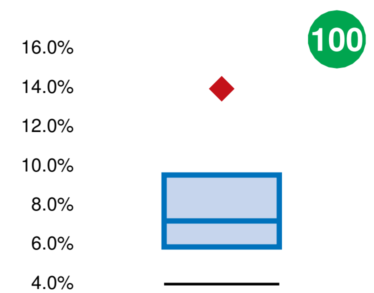
Key Growth Measures

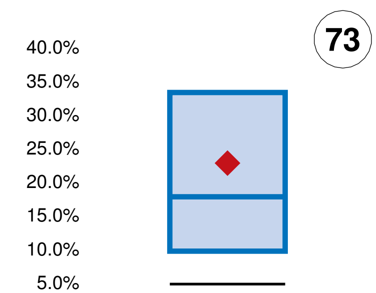
Relative to Valmont Industries Peer Group (13 Companies)

Revenue/Share Growth



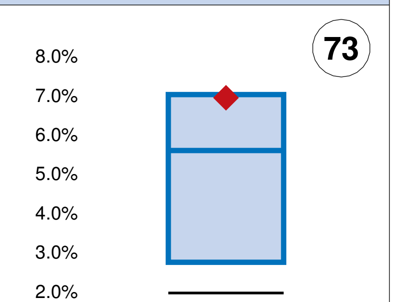
Top Quartile	9.6%
Median	7.2%
Low Quartile	5.9%
VMI	14.0%

EPS Growth



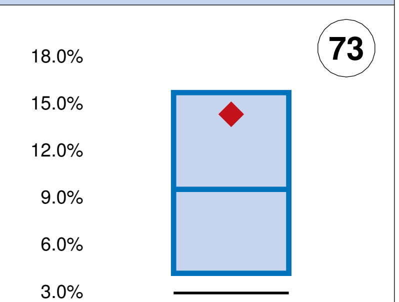
Top Quartile	33.5%
Median	18.0%
Low Quartile	9.9%
VMI	23.0%

Asset/Share Growth



Top Quartile	7.1%
Median	5.6%
Low Quartile	2.8%
VMI	7.0%

Equity/Share Growth



Top Quartile	15.8%
Median	9.6%
Low Quartile	4.3%
VMI	14.4%

High end of bar represents Valmont Industries Peer Group upper quartile value. Lower end represents lower quartile value. Middle line represents group median. Valmont Industries values are represented by red diamonds. Valmont Industries percentile ranks (0–100) shown in circles.

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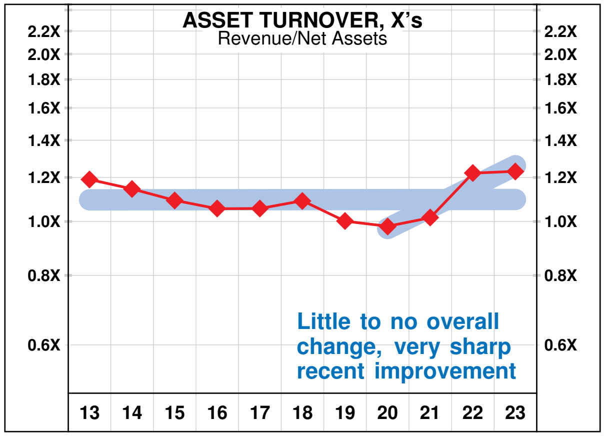
Summary – Profitability Performance

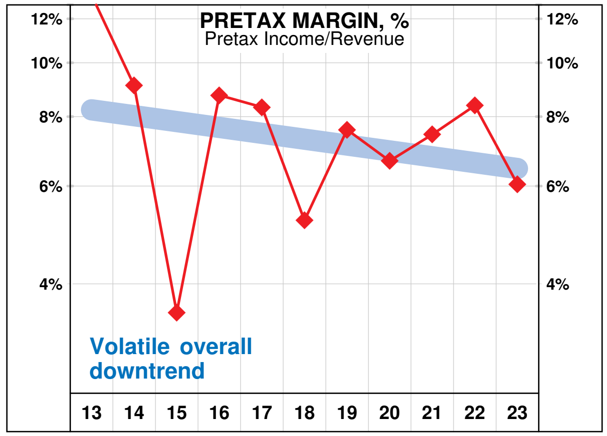
- **<u>Trend in operating performance.</u> Valmont Industries' return on equity has been stable since 2013. The current level of 10.3% is 2.37X the low for the period and is –43.5% from the high.**
  - This stability was due to strong negative trend in pretax operating return and strong positive trend in non–operating factors.
  - The productivity of Valmont Industries' assets remained stable over the full period 2013–2023: asset turnover has exhibited little to no overall change even as it experienced very sharp improvement from the 2020 level.
  - Valmont Industries' pretax margin experienced a volatile overall downtrend over the period 2013–2023.
  - Non–operating factors (income taxes and financial leverage) had a significant positive influence on return on equity.
  - Tax "keep" rate has exhibited a volatile overall uptrend but it experienced a very sharp decline after the 2021 high.

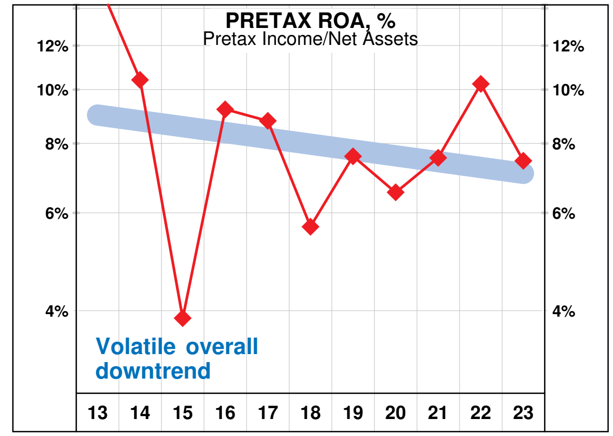
- **<u>Current operating performance.</u> Valmont Industries' return on equity is substantially below median (10.3%) for the four quarters ended September, 2023.**
  - Operating performance (pretax return on assets) is below median (7.4%) reflecting asset turnover that is upper quartile (1.23X) and lower quartile pretax margin (6.0%).
  - Tax "keep" rate (income tax management) is lower quartile (59.8%) resulting in after tax return on assets that is at the lower quartile.
  - Financial leverage (leverage) is above median (2.32X).

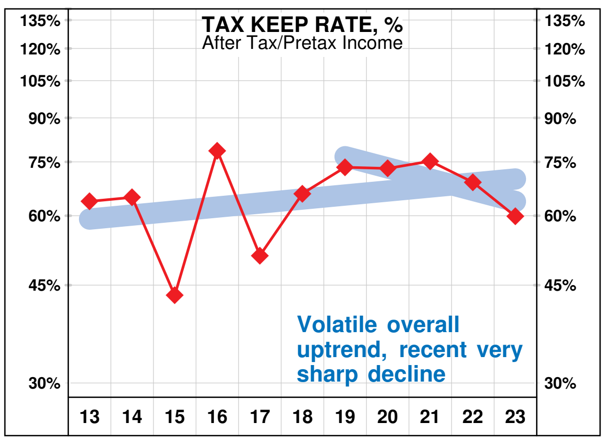
Profitability Profile

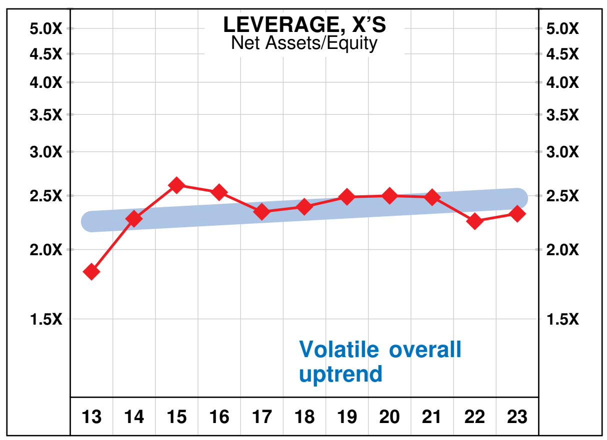
(Four Quarters Ending September, 2023)

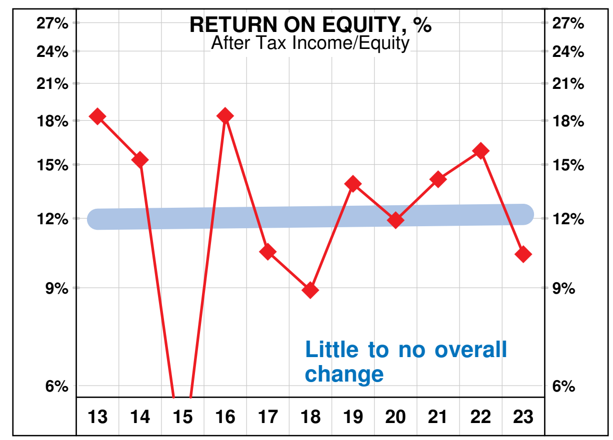












Selected historical data property of Standard and Poor's 065927240223FINPTX018609 50

Asset turnover: the revenue "productivity" of a firm's assets. **Pretax profit margin:** the profitability of each $ of sales. **Pretax return on assets:** profitability before differences in tax liability. **Tax "keep" rate:** the percentage of pretax income retained after taxes. **Leverage (asset/equity ratio):** in asset terms rather than the traditional financing focus. **Return on equity:** ratio of net income to common equity.

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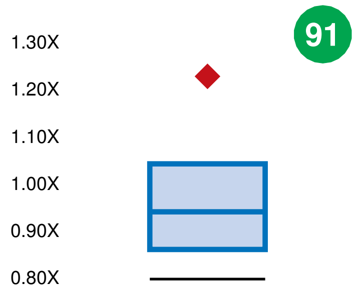
Key Profitability Measures

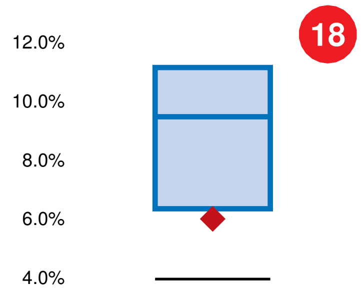
Relative to Valmont Industries Peer Group (13 Companies)

Asset Turnover



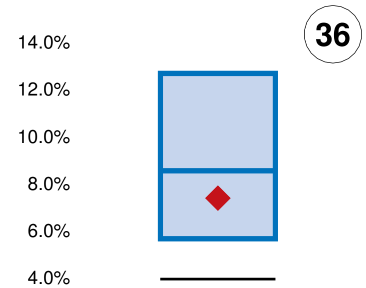
Top Quartile	1.04X
Median	0.94X
Low Quartile	0.86X
VMI	1.23X

Pretax Margin



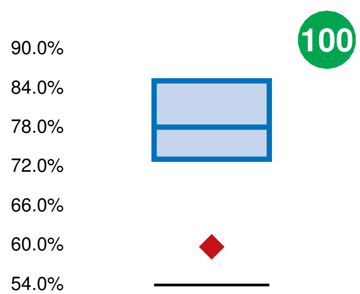
Top Quartile	11.2%
Median	9.5%
Low Quartile	6.4%
VMI	6.0%

Pretax ROA



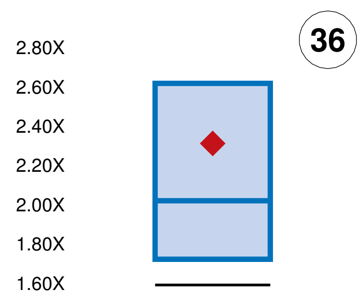
Top Quartile	12.7%
Median	8.6%
Low Quartile	5.7%
VMI	7.4%

Tax Keep Rate



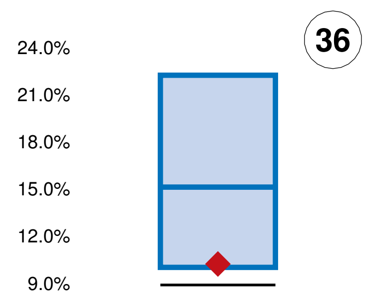
Top Quartile	85.2%
Median	78.1%
Low Quartile	73.2%
VMI	59.8%

Leverage (Assets/Eqty)



Top Quartile	2.63X
Median	2.03X
Low Quartile	1.73X
VMI	2.32X

Return on Equity



Top Quartile	22.4%
Median	15.2%
Low Quartile	10.1%
VMI	10.3%

High end of bar represents Valmont Industries Peer Group upper quartile value. Lower end represents lower quartile value. Middle line represents group median. Valmont Industries values are represented by red diamonds. Valmont Industries percentile ranks (0–100) shown in circles.

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Risk Profile

- **Relative to the Valmont Industries Peer Group, Valmont Industries' overall risk profile is HIGH RISK.** This profile reflects measures of financial strength, earnings expectations, variability and changes in capital structure.

  - Valmont Industries' beta coefficient is 1.06X. This volatility is average, resulting in an average factor rating of 45.

  - Valmont Industries' revenue variability is 7. This variability is average, resulting in an average factor rating of 45.

  - Valmont Industries' financial strength rating is 53. This rating is average, resulting in an average factor rating of 45.

  - Valmont Industries' earnings variability is 45. Such variability is relatively high with a resulting low factor rating of 36.

  - The recent trend in Valmont Industries' debt/capital ratio is –0.7%. This change is relatively high with a resulting poor factor rating of 27.

  - Valmont Industries' earnings score is 27. Such a score is relatively low with a resulting poor factor rating of 20.

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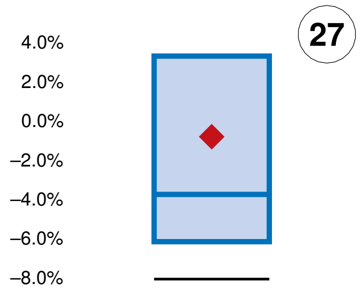
Valmont Industries Inc

02/21/24

Key Risk Measures

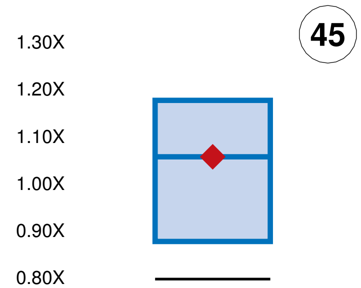
Relative to Valmont Industries Peer Group (13 Companies)

Trend Debt/Cap Ratio



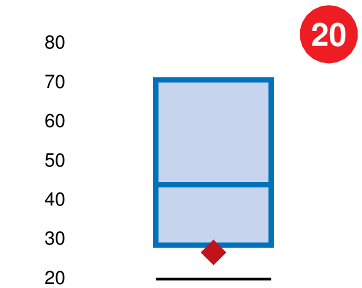
Top Quartile	3.4%
Median	–3.7%
Low Quartile	–6.1%
VMI	–0.7%

Beta Coefficient



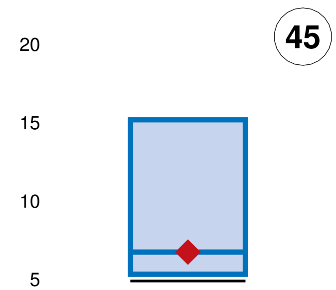
Top Quartile	1.18X
Median	1.06X
Low Quartile	0.88X
VMI	1.06X

Earnings Score



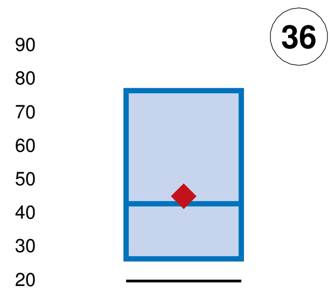
Top Quartile	71
Median	44
Low Quartile	29
VMI	27

Revenue Variability



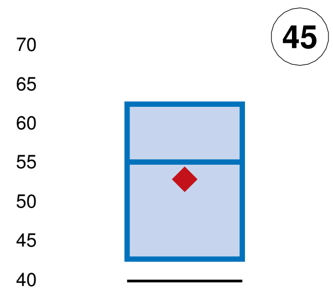
Top Quartile	15
Median	7
Low Quartile	5
VMI	7

EPS Variability



Top Quartile	77
Median	43
Low Quartile	27
VMI	45

Financial Strength Rating



Top Quartile	63
Median	55
Low Quartile	43
VMI	53

High end of bar represents Valmont Industries Peer Group upper quartile value. Lower end represents lower quartile value. Middle line represents group median. Valmont Industries values are represented by red diamonds. Valmont Industries percentile ranks (0–100) shown in circles.

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PriceTarget Research

Wealth Creation Profile

- **<u>Relative to the Valmont Industries Peer Group, Valmont Industries' wealth creation profile is VERY FAVORABLE.</u>** The profile is based on measures of warranted value, appreciation potential and total shareholder returns.

    - The recent trend in Valmont Industries' <u>warranted market value</u> is 31.7%. This rate of change is relatively very high resulting in a very high factor rating of 100.

    - Valmont Industries' <u>appreciation score</u> is 49. This appreciation score is relatively very high resulting in a quite high factor rating of 82.

    - Valmont Industries' <u>five year total return</u> is 13.0%. This five year return is relatively high. A high factor rating of 64 results.

    - Valmont Industries' <u>one year total return</u> is –30.%. This one year return is very low, producing a very poor factor rating of 9.

- **<u>Total shareholder returns expected to seriously beat the overall equity market.</u>** Based on current investor expectations, Valmont Industries shares should reach a level of $436 by 2028 -– an 12.6% per year total shareholder return. A 2028 stock price of $381 would reflect median performance and a price of $448 would be required to reach upper quartile performance.

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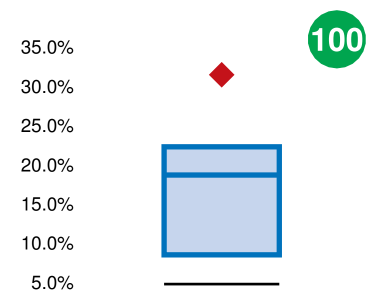
Valmont Industries Inc

02/21/24

Key Wealth Creation Measures

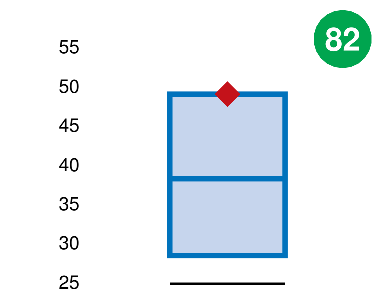
Relative to Valmont Industries Peer Group (13 Companies)

Growth in Warr Value



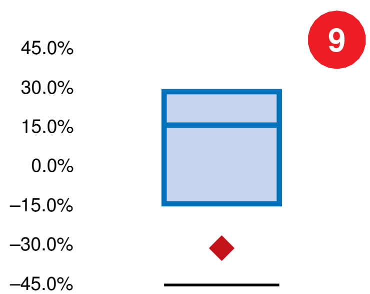
Top Quartile	22.5%
Median	18.9%
Low Quartile	8.7%
VMI	31.7%

App Potential Score



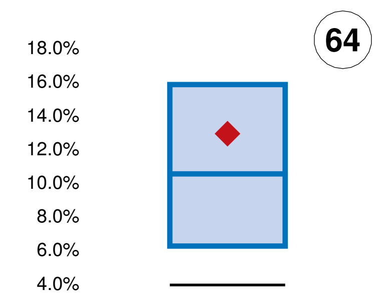
Top Quartile	49
Median	38
Low Quartile	29
VMI	49

1–Year Total Return



Top Quartile	28.9%
Median	16.1%
Low Quartile	–14.0%
VMI	–30.9%

5–Year Total Return

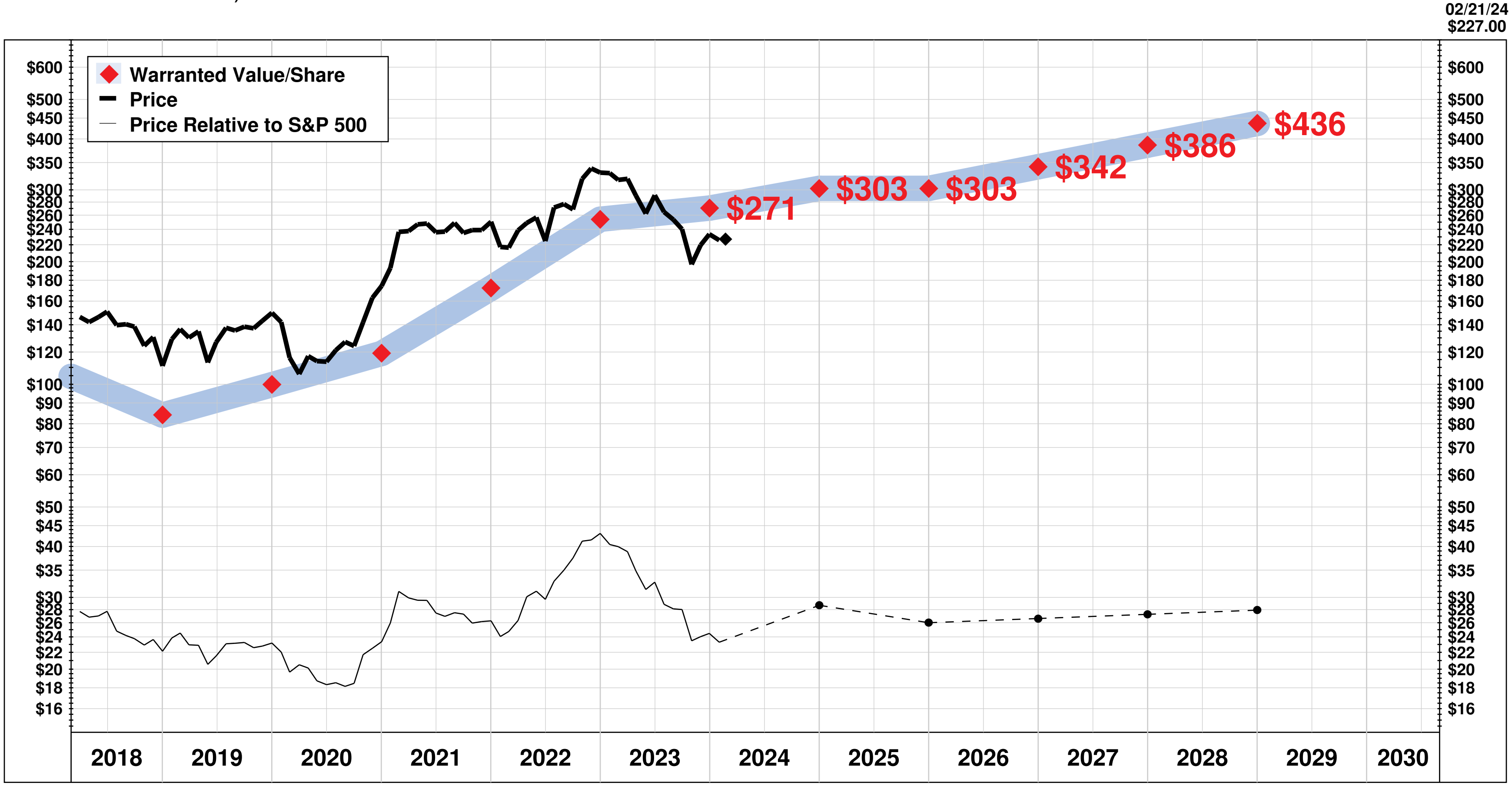


Top Quartile	15.9%
Median	10.6%
Low Quartile	6.3%
VMI	13.0%

High end of bar represents Valmont Industries Peer Group upper quartile value. Lower end represents lower quartile value. Middle line represents group median. Valmont Industries values are represented by red diamonds. Valmont Industries percentile ranks (0–100) shown in circles.

Warranted Value vs. Stock Price, 2023–2028

Based on current investor expectations for Valmont Industries, Price Targets for the period 2023–2028 are developed. Starting with the current price of $227, a Price Target of $436 for 2028 results. Price Targets are derived for each fiscal year using PTR cash flow forecasts and the powerful CFROI framework. Key forecast inputs are: expected profitability, expected long term growth, and cost of equity capital (or discount rate).



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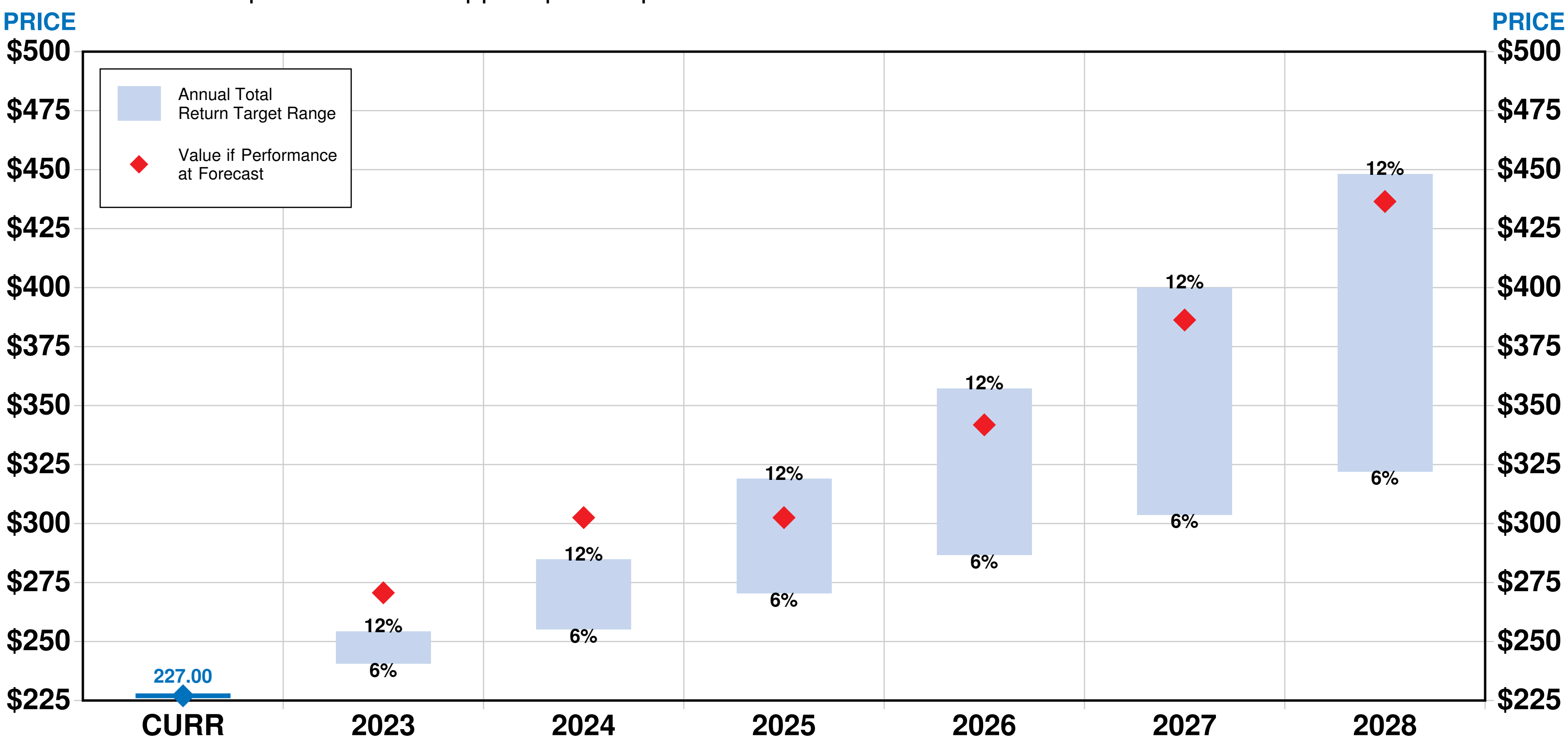
The Value Challenge
Warranted Stock Price, 2023–2028

Total shareholder returns expected to seriously beat the overall equity market. Based on current investor expectations, Valmont Industries shares should reach a level of $436 by 2028 -- a 12.6% per year total shareholder return. A 2028 stock price of $381 would reflect median performance and a price of $448 would be required to reach upper quartile performance.



Diamonds represent Valmont Industries warranted value based on scenario assumptions and PTR proprietary analysis. Shaded bands represent year–end stock price necessary to achieve target returns.

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PriceTarget Research