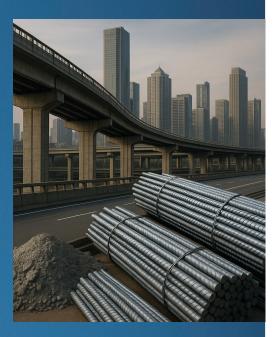
W U T I S



Global Markets Division

Steel & Cement

Equity Portfolio: Hard Assets, Stronger Returns

Investment Horizon: 3 Years

Zouher Debs, Zofia Szczekocka, Kristina Veskovic, Zhangir Mukhamejan, Anastasiia Fisun

Vienna, May 2nd

Global Markets



Zouher Debs

Team Lead

Portfolio





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1	Market Overview	5
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Introducing Steel & Cement

The Key Construction Materials in the World



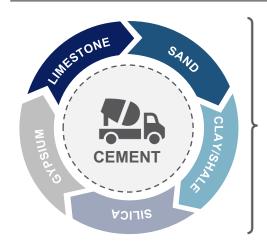






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Cement



Cement → Low-Cost and Highly Durable construction binder ingredient, which together with sand, gravel and water can form Concrete

Used in 90%+ Construction Projects worldwide.



High **Energy Intensity**: 4 GJ/ton due to production based on fossil fuel



Critical for **Renewable-Energy Infrastructure** (dams / turbines)

Steel



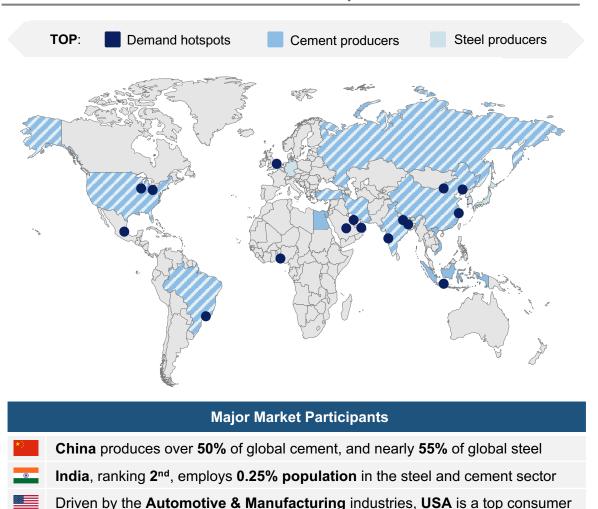
Steel → Strong, Durable

Metal made from iron and
a small amount of carbon

Use per sector:

- Infrastructure: 52%
- Machinery: 16%
- Automotive: 12%
- Metal tools: 10%
- Other transport: 5%
- Electronics: 3%
- Home appliances: 2%

Global Overview of Production and Consumption hubs



Global Steel & Cement Outlook









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Global Market Pressures Ahead of Regional Growth

Steel: Demand Rises & Supply Remains Constrained

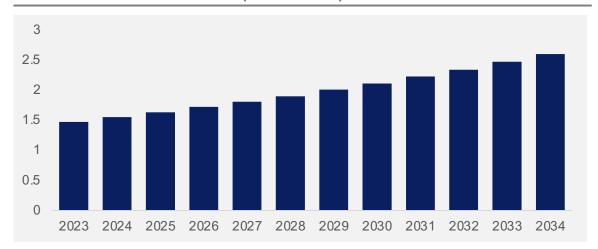
Global Demand expected to reach ~2,000 Mt by 2035, led by India & SE Asia

Supply Capped by China's output limits and EU CBAM tariffs on highemission imports

Key sectors: Infrastructure, Renewables & Industrialization

Steel remains irreplaceable in Energy, Transport, and Construction

Global Steel Market Outlook (USD Trillion)



Cement: Growth Slows & Constraints Deepen

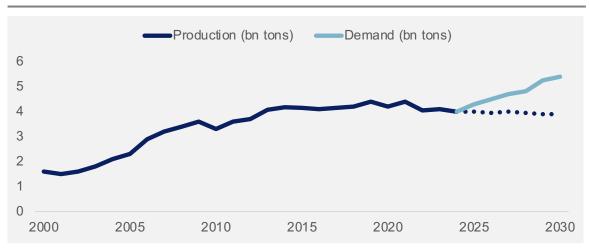
Global Production growth has **slowed** post-2013 despite strong demand

Supply bottlenecks: Clinker Limits, Energy costs, SCM shortages

Demand driven by **Urbanization**, **Housing & Infrastructure**

Cement has **no substitute**, making it critical for Development

Global Cement Production and Demand Outlook















Emerging Market Driving

GDP Growth & Cement and Steel Demand Correlation



Housing Construction Growth with 20-30% YoY in tier 2/3 cities



Projects driving growth: **National Infrastructure Pipeline** and the National Monetization Pipeline (NMP) projects



High availability of **non-coking coal** and **high-grade iron** (CAGR of more than **3%** during 2024-2030)

Increased Infrastructure Spending



Demand for steel in India is projected to increase by **over 87%** during the period 2021-2030

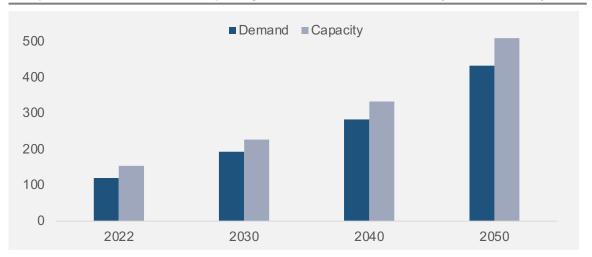


Gross Fixed Capital Formation (GFCF) is around 30% of GDP which is indicative of high investment in physical assets



Steel contributes ~2% to GDP and employs 600,000 directly, 2 million indirectly

Expected Demand and Capacity of Crude Steel in India (USD Billions)



Monetary Tailwinds: Lower Interest Rates & Easing Inflation

Financial Sector



Reserve Bank of India Rate Cut: Down to 6% after 25 bps cuts in February and April 2025

Lowering Inflation



Inflation eased to 3.61% in February 2025, the lowest in 7 months

Greater Investment



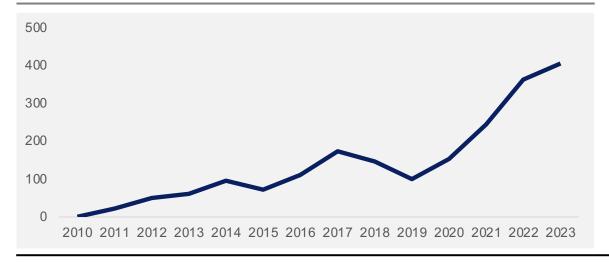
Improved credit environment, greater private sector investment

New Economic Policies Drive Investment

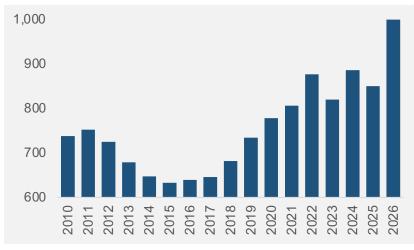
Make America First Agenda Prioritizes Dominance and Independence

Make America First Agenda Regulatory Easing Energy dominance: Streamlined Permitting and Intense production of coal, which is Environmental necessary for steel **Regulation Rollback** and cement manufacturing Trump's Infrastructure Push Increased defense spending **Manufacturing Push Defence** accounts for 14% of all Semiconductor, Automotive and **Government Spending Defence** sectors

New jobs announcements due to reshoring and FDI (in Thousands)



Growing US Defence Spending (USD Billions)



- Steel: Military vehicles, naval ships, submarines, aircraft carriers, and missile defense systems
- Cement: Pentagon's expansion of hardened facilities. airstrips, munitions depots, and border security installations

Supply Chain Localization drives Investment in Manufacturing

The trend for Supply Chain Localization due to geopolitical uncertainty, tariffs, and government incentives

The reduced dependency on global supply chains leads to increased investment in US manufacturing plants and fuels demand for steel and cement

Legislation like the CHIPS Act offers Tax Credits. Grants, and Subsidies to build factories, warehouses, and logistics infrastructure domestically in the U.S.

Rate Cuts, Strong Euro and Government Spending

ECB Interest Rate Cuts Boost Construction Sector

ECB Interest Rates Cuts

The deposit facility, the main refinancing operations, and the marginal lending facility rates were **decreased** to **2.25**%, **2.4**%, and **2.65**% respectively

Decrease in Financing Costs

The ECB interest rates cuts reduce financing costs, making investing in Steel and Cement-intensive projects more affordable and attractive

Decrease in borrowing costs

Cheaper borrowing stimulates both Public and Private sector investments in the Construction sector

Ambitious Infrastructure Projects drive Steel and Cement Demand x

€500 Billion Infrastructure Investment in Germany



Germany's
Energy Transition:
offshore wind farms
and hydropower
plants

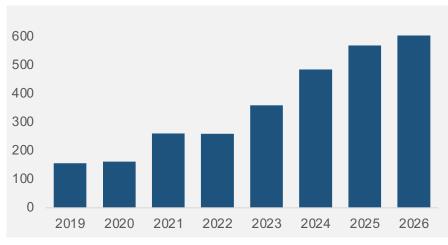
The EU's 2030 infrastructure roadmap: smart cities, transport networks, and development





regeneration
projects: high
demand with the
growing urban

Increasing European Collaborative Defense Spending (in Millions)



ReArm Europe: €800 Billion
Defence Plan

Projected EU

GDP growth

~0.9-1.5%. The
current Defence
Spending is 2%
of GDP → 3.5%

of GDP

Low Interest Rates & Strong Euro





The **EUR** has **appreciated** against the USD



Lower Costs

Lowers the cost of importing Raw Materials and Energy



Higher Profits

Potential for increased Profit Margins











Tariff War Benefits Steel and Cement



US Tariffs could
divert steel
exports from
China, South Korea,
and other Asian
countries to India

This can increase competition and potentially lead to lower domestic steel prices, especially for small producers

The decreased steel prices could lead to lower costs and stimulate demand for steel in the construction industry



Tariffs on imported steel raise the cost of foreign steel, making U.S. produced steel more competitive in price

Higher domestic
demand can lead to
increased
production, higher
profits, and job
preservation or
growth for U.S. steel
plants

Tariffs may encourage capital investments in modernizing steel plants and boosting capacity



EU tightened steel import quotas by 15%, which protect EU steelmakers from cheap foreign steel The new Carbon
Border Adjustment
Mechanism imposes
tariffs on carbonintensive imports
of steel and cement,
pricing embedded
emissions

These tariffs make non-EU imports more expensive, improving the competitiveness of EU-based green producers

Trump's threatened or Trump's reduced or cancelled tariffs **imposed** tariffs 25% on Columbia Cancels the tariff on Columbia 25% on Canada. Mexico 30-day delay for Canada, Mexico 25% on steel worldwide 25% on Canada. US automakers are Mexico are imposed reprieved from these tariffs Postpones 25% on 10% - 40% on Canada, Mexico most countries 74% on China 90-days pause, except China Reduced to 41% 145% on China on China



Urbanisation & Industrial Growth





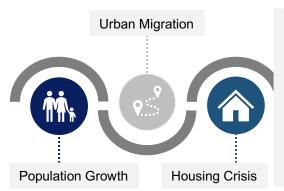




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Demand driven by Revival Trends in Global Construction

Positive projections for urban and industrial development



01 Urban Sprawl

Cities grow by 28 km² per day & by 2050, 68% of the world's population will live in cities

02 Construction MarketThe urban construction sector
will **grow by 35% or \$8 trillion**by 2030

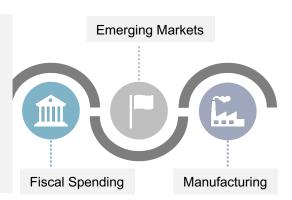


03 Projects & Stimuli

Mega projects like **highways**, **tunnels and dams** fuel the global construction surge

04 Industrial Areas

Industrial zones, corridors and hubs in India, China and Africa experience a **rapid expansion**



Scarcity issues: running out of Sand

Demanded

Globally, sand is **the second most consumed** resource after water

Quality-sand comes from riverbeds,

Irreplaceable

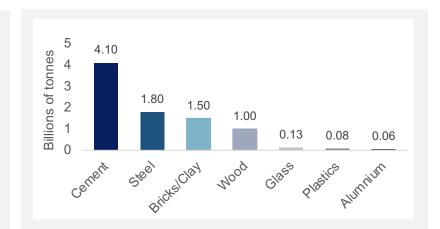
Unregulated

Unregulated mining fuels erosion, habitat loss, and illegal trading

beaches and bottom of the sea

Sand Crisis: UN-recognised critical depletion

Yearly use and relative significance among Construction Materials



Cement

Average family house holds **30 tons** of cement

Steel

Average passenger car contains **900 kg** of steel

Market Sentiment









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Increased M&A Signals Strategic Consolidation and Market Confidence

Key 2025 Trends



Strategic Buyers Return – pursuing vertical & geographic expansion



Private Equity Surge – sponsor-backed deals up 60% YoY



Rate Cuts Boost Financing – low capital costs ignite construction M&A



Federal Spending Tailwinds - IIJA, IRA, CHIPS Act

Why This Matters?



Industry Realignment: Strategic M&A to expand into high-growth regions and address supply gaps reflecting insider confidence in long-term fundamentals



Valuations Recovering: 9.7x EV/EBITDA in 2023-24, up from recent lows but below the 2019-2020 peak

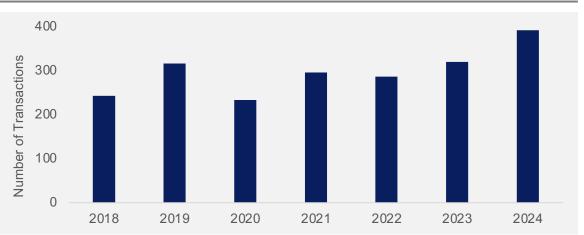


M&A as a Market Correction Tool: Addressing inefficiencies and rationalizing fragmented markets (e.g. India cement)

Industry Activity – M&A Focus

Acquirer	Target	Value	Segment
Home Depot	SRS Distribution	\$18.3B	Distribution
Nippon Steel	U.S. Steel	\$14.9B	Steel
Quikrete	Summit Materials	\$9.2B	Cement
James Hardie	AZEK	\$8.75B	Building Products
UltraTech Cement	The India Cements	\$460M	Cement

Building Products M&A Hits Record High



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Decarbonization Creates Supply Constraints



Strict Decarbonization Regulations force producers to adopt low-emission production, which is more expensive and slower to scale

Low-Emission Production Gains Edge Amid Regulatory Squeeze



Rising Demand for Green Supply Chains and Sustainable Infrastructure is accelerating rapidly across industries



This surge in Demand is outpacing Supply, creating a tight market for low-emission materials like steel and cement

Rising Demand from Green Projects

Regulatory push supports longterm structural demand (EU CBAM & ETS)



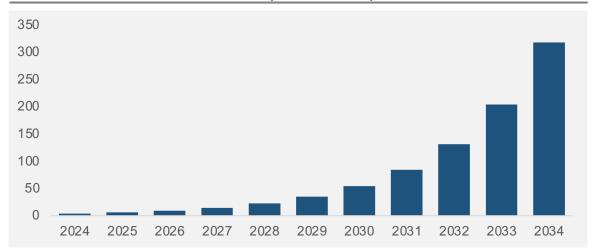
First movers in green steel cement benefit from premium pricing, stronger margins, and long-term competitive advantages



Traditional players
may benefit in the
short-term before green
transition is fully
achieved



Green Steel Market Size Outlook (USD Billions)



Investment Opportunities

Cement

Calcined clay, Carbon Capture & Storage (CCS), Alternative Binders (Geopolymers)



Steel

Hydrogen DRI & Electric Arc Furnace (EAF), scrap-based steel via green electricity





Portfolio I









Equity Selection I



Cement

Steel

Ambuja Cement Ambuja

Cement



Materials

India's largest cement producer with nationwide operations, integrated logistics, and strong links to housing and infrastructure development.

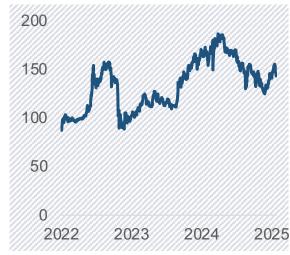
India's fastest-growing and most efficient private steel producer, focused entirely on meeting domestic demand across construction and manufacturing.

Major Indian cement producer with pan-India reach and strategic support from the Adani Group, accelerating capacity and logistics expansion.

supplier of aggregates Leading construction materials used in highways, bridges, and public infrastructure projects. Operates across the U.S. with pricing power.



200 150 50 2022 2023 2024 2025





_O¯ P/E 51



4.9



Margin 20%





Regions



70

P/B 3.2



Regions Margin 13%



29

P/B 2.5



Margin 19%

EBITDA Regions

P/E 15.7

0





Anchor play on India's infrastructure and housing boom, with industry leadership, cost advantage, and consistent capexbacked growth.

Pure exposure to India's steel demand surge, backed by strong execution, volume leadership, and aggressive growth strategy.

High-upside infra play supported by strong ownership. expanding footprint, and improving operational efficiency.

High-margin, defensive infrastructure exposure with direct ties to federal construction programs and long-term demand visibility.

Portfolio II





Equity Selection II

Steel

GRH

Materials

Heidelberg Materials

Materials

Buzzi Unicem

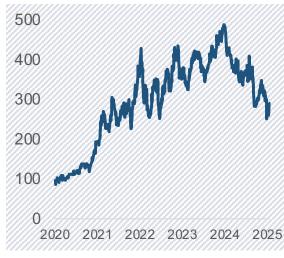
Cement

The largest and most profitable steelmaker in the U.S., known for its vertically integrated model, cost control, and direct exposure to infrastructure, automotive, and construction.

Global building materials giant with major operations in the U.S. and Europe, supplying cement, aggregates, and construction services across public and private markets.

Major European cement producer with strong global operations and a growing U.S. presence. Focused efficiency, on sustainability, and infrastructure demand.

Family-run Italian cement group with high operating margins and major revenue exposure to the U.S. and Mexico, alongside key EU markets.













1.32



Margin 11%





P/E

18.1



P/B

2.86



EBITDA

Margin 20%



Regions



18.9

P/B

3.37



Margin 6%



_0¯ P/E 8.6



1.22

EBITDA

Margin 30%

 \bigoplus Regions

Dominant U.S. steel name well-positioned to benefit from infrastructure spending, reshoring, and domestic manufacturing growth.

Strongly positioned in U.S. infrastructure with upside from European energy recovery. transition and Vertical integration, stable margins and pricing power.

in low-carbon cement Leader with expanding U.S. footprint, positioned to benefit from both Europe's green push and America's infrastructure cycle.

Lean, profitable cement player with strong pricing power and strategic positioning in the U.S. and EU infrastructure cycle.

Portfolio Allocation





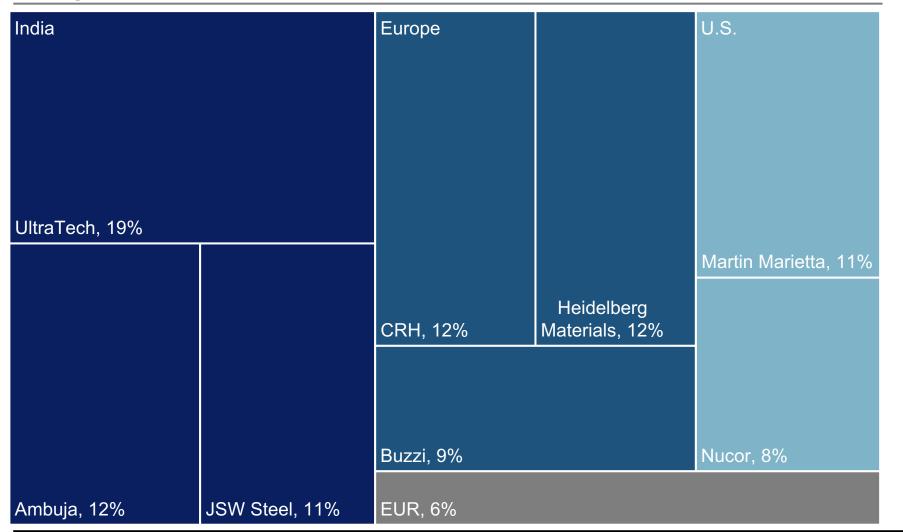




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Selective and Optimised Equity Selection

Holdings



Approach



Semi Annual Rebalancing
Cash Buffer for flexibility (5 – 10%)
Portfolio Base Currency: EUR



Portfolio **Optimised** in **Bloomberg** by **Maximising** the **Sortino Ratio**, prioritising Return relative to Downside Risk



INR exposure **Hedged** via **EUR/INR 6M FX forwards**, rolled at each rebalancing to manage **Currency Risk**

Conclusion





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Current **Supply & Demand Dynamics** create a compelling Entry Point

Macroeconomic Trends in India, U.S. and Europe favour Industry

Growth

Construction Boom and intense Infrastructure Development are main drivers

Recent M&A activity in the Sector highlights the Insider Confidence

Green Transition tightens **Supply**, while surprisingly increasing **Demand**

Strategic Stock Selection allows for exposure to Companies in 3 Key Regions



Appendix

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Sources

Source Name	Link	Date of Retrieval	Used for
McKinsey	<u>Link</u>	20.04.2025	Slide 6
World Steel Association	<u>Link</u>	20.04.2025	Slide 6
Capstone Partners	<u>Link</u>	12.04.2025	Slide 14
United Nations	<u>Link</u>	10.04.2025	Slide 13
Science Journal	<u>Link</u>	10.04.2025	Slide 13
Oxford Economics	<u>Link</u>	10.04.2025	Slide 13
European Commission	<u>Link</u>	10.04.2025	Slide 5
Trading Economics	<u>Link</u>	10.04.2025	Slide 5
Statista	<u>Link</u>	10.04.2025	Slide 5
NPR	<u>Link</u>	28.04.2025	Slide 11
PBS News	<u>Link</u>	28.04.2025	Slide 11

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Sources

Source Name	Link	Date of Retrieval	Used for
AP News	<u>Link</u>	15.04.2024	Slide 11
Reuters	<u>Link</u>	15.04.2025	Slide 11
European Commission	<u>Link</u>	15.04.2025	Slide 11
Statista	<u>Link</u>	14.04.2025	Slide 10
European Commission	<u>Link</u>	14.04.2025	Slide 10
European Central Bank	<u>Link</u>	14.04.2025	Slide 10
The Wall Street Journal	<u>Link</u>	14.04.2025	Slide 10
Latham & Watkins	<u>Link</u>	14.04.2025	Slide 10
World Economic. Forum	<u>Link</u>	10.04.2025	Slide 9
Mold Making Technology	<u>Link</u>	10.04.2025	Slide 9
USA Facts	<u>Link</u>	10.04.2025	Slide 9

Appendix

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Sources

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Atlantic Council	<u>Link</u>	14.04.2025	Slide 9
White House	<u>Link</u>	14.04.2025	Slide 9
Trading Economics	Link	16.04.2025	Slide 9
World Economic Forum	<u>Link</u>	16.04.2025	Slide 9
Mckinsey	Link	16.04.2025	Slide 16
JSW Steel	<u>Link</u>	16.04.2025	Slide 16
Global Data	<u>Link</u>	16.04.2025	Slide 16

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