

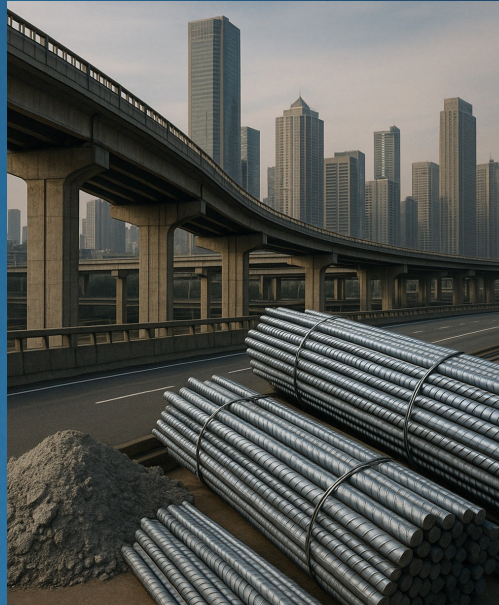
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Global Markets Division

Steel & Cement

Equity Portfolio: Hard Assets, Stronger Returns

Investment Horizon: 3 Years

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Vienna, May 2nd

Team Overview

Global Markets

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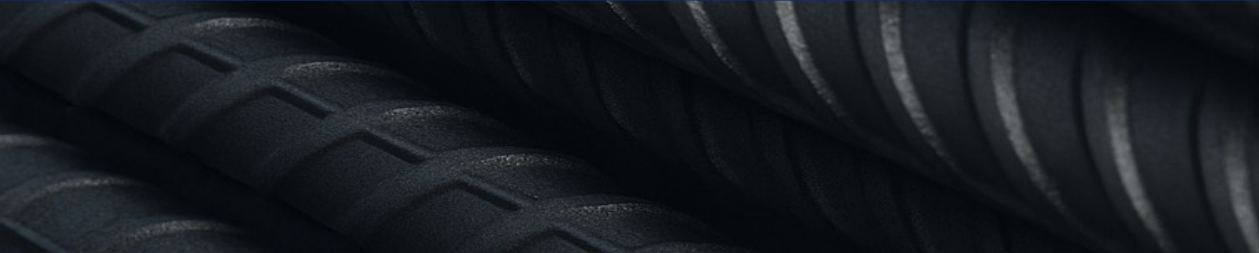
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Analysis



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2nd Sem.

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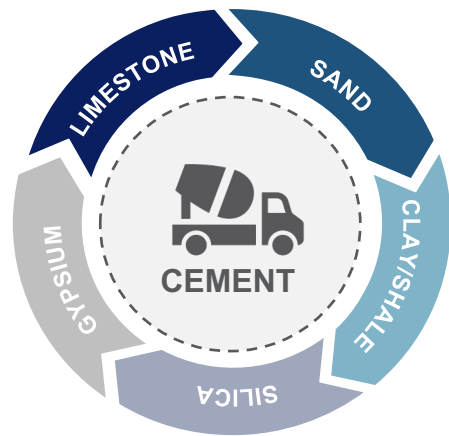


Market Overview

Introducing Steel & Cement

The Key Construction Materials in the World

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






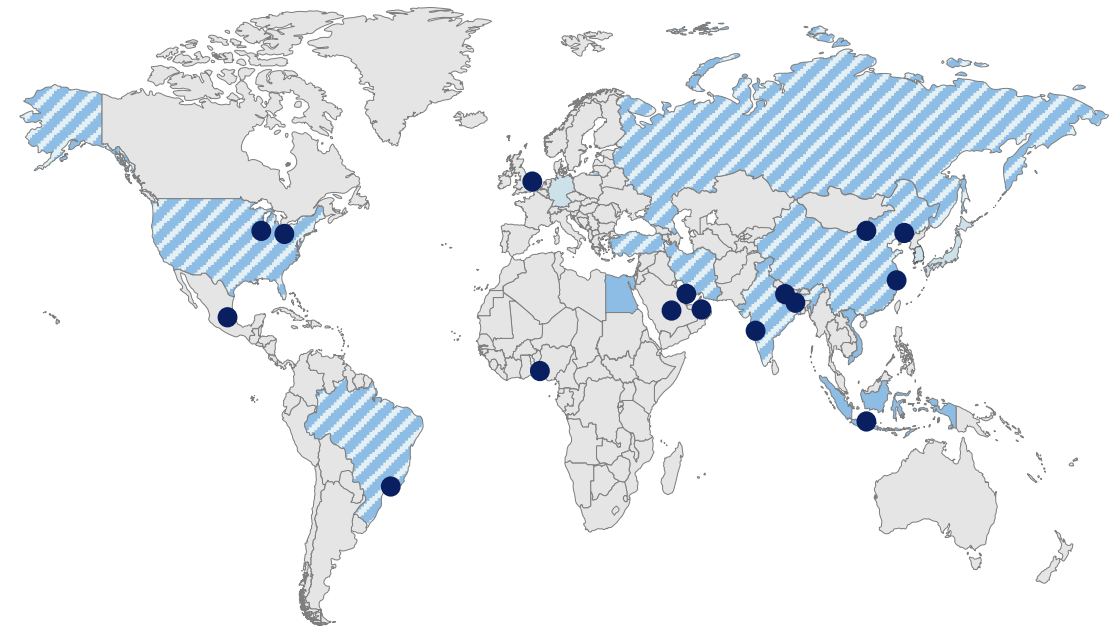
Steel → **Strong, Durable Metal** made from **iron** and a small amount of **carbon**

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

TOP:  Demand hotspots  Cement producers  Steel producers



Major Market Participants

	China produces over 50% of global cement, and nearly 55% of global steel
	India , ranking 2nd , employs 0.25% population in the steel and cement sector
	Driven by the Automotive & Manufacturing industries, USA is a top consumer

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 high-emission imports

Key sectors: Infrastructure, Renewables & Industrialization

Steel remains irreplaceable in Energy, Transport, and Construction

Cement: Growth Slows & Constraints Deepen

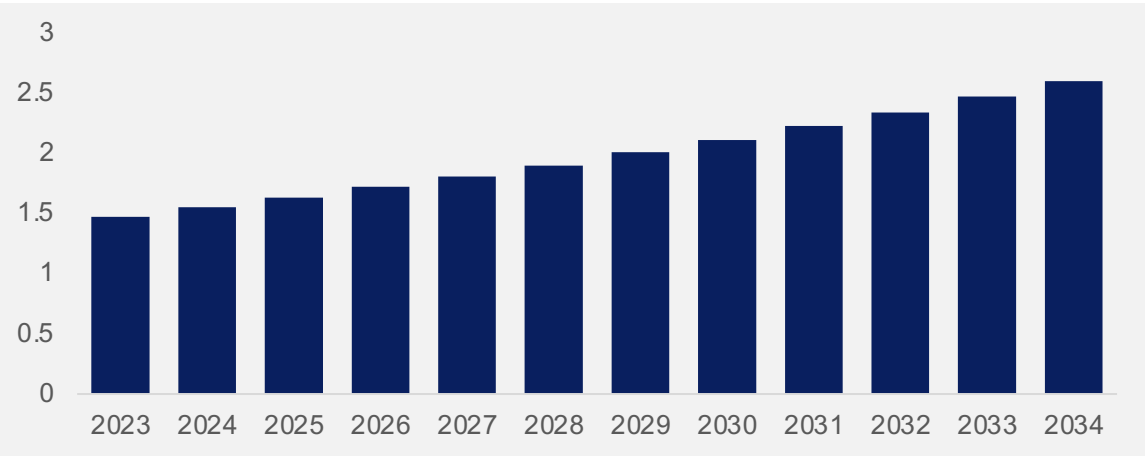
Global Production growth has slowed post-2013 despite strong demand

Supply bottlenecks: Clinker Limits, Energy costs, SCM shortages

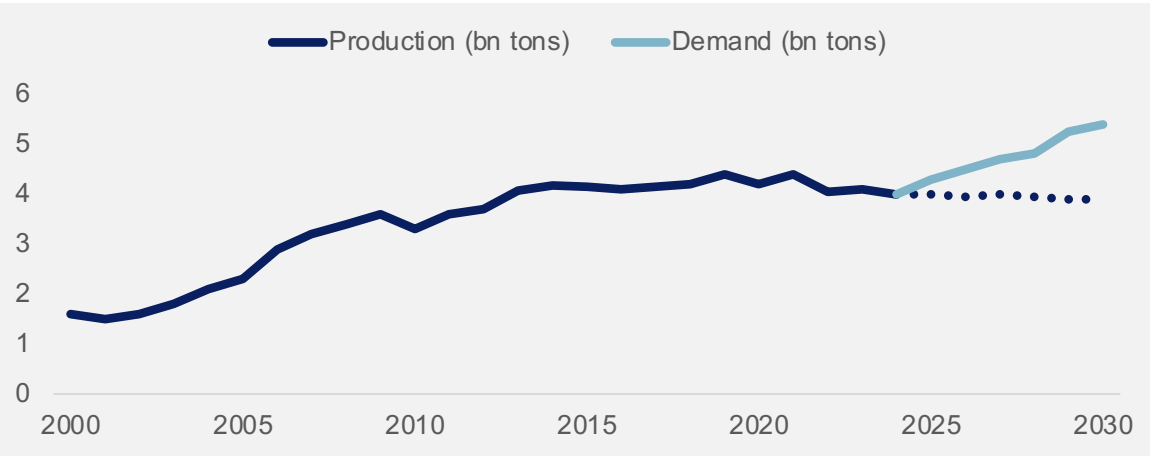
Demand driven by Urbanization, Housing & Infrastructure

Cement has no substitute, making it critical for Development

Global Steel Market Outlook (USD Trillion)



Global Cement Production and Demand Outlook







Macroeconomic Environment

Emerging Market Driving


GDP Growth & Cement and Steel Demand Correlation



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

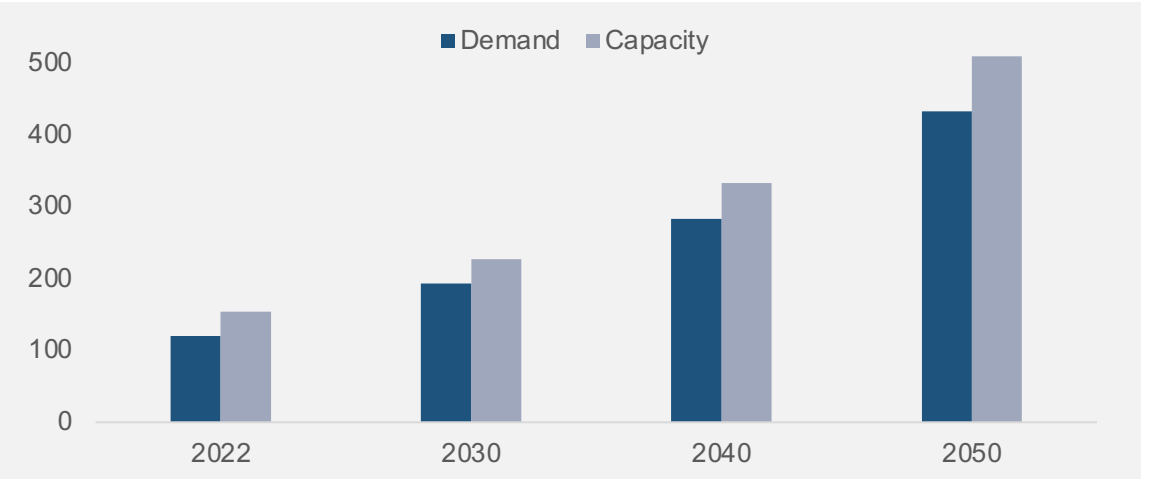


Projects driving growth: **National Infrastructure Pipeline** and the National Monetization Pipeline (NMP) projects




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


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




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


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



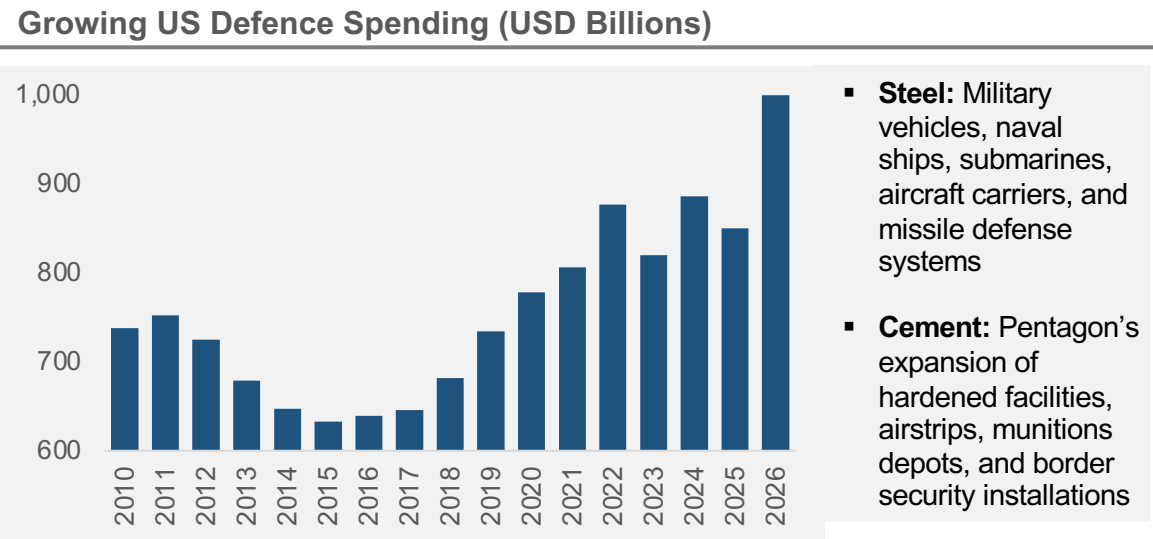
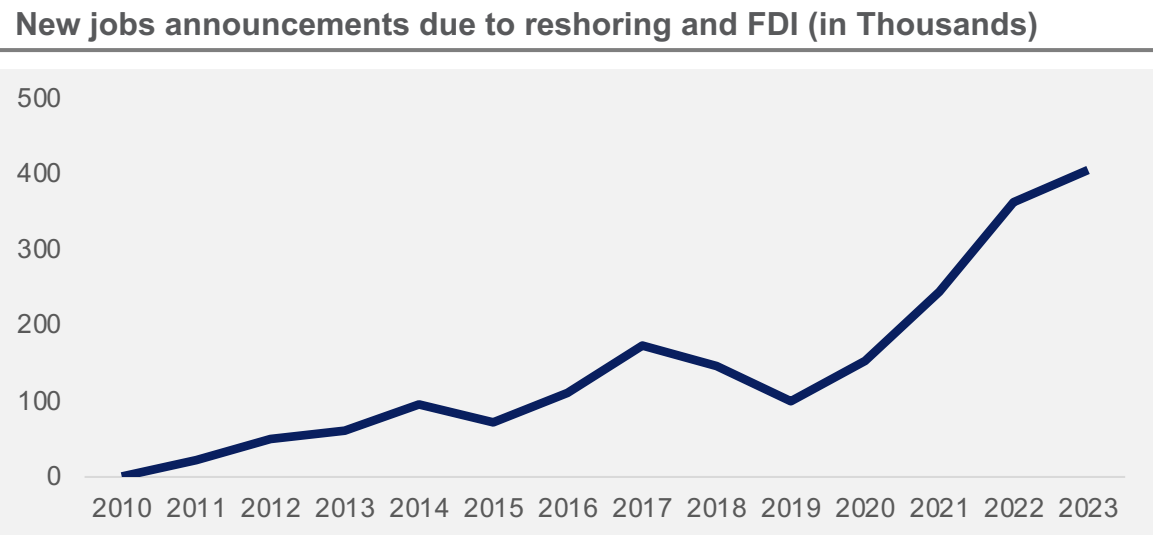
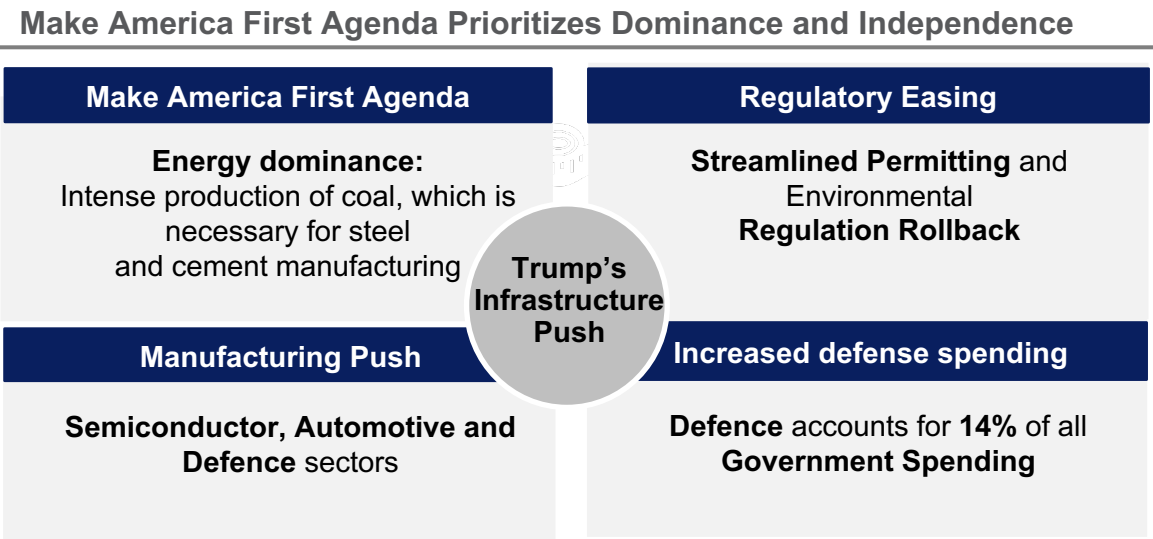
Inflation eased to 3.61% in February 2025, the **lowest** in 7 months

Greater Investment



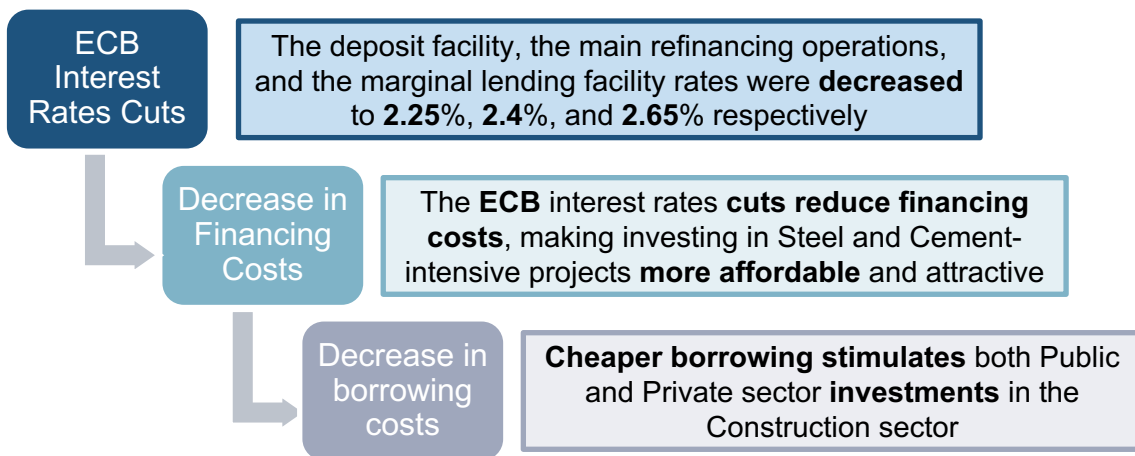
Improved credit environment, greater **private sector investment**

New Economic Policies Drive Investment

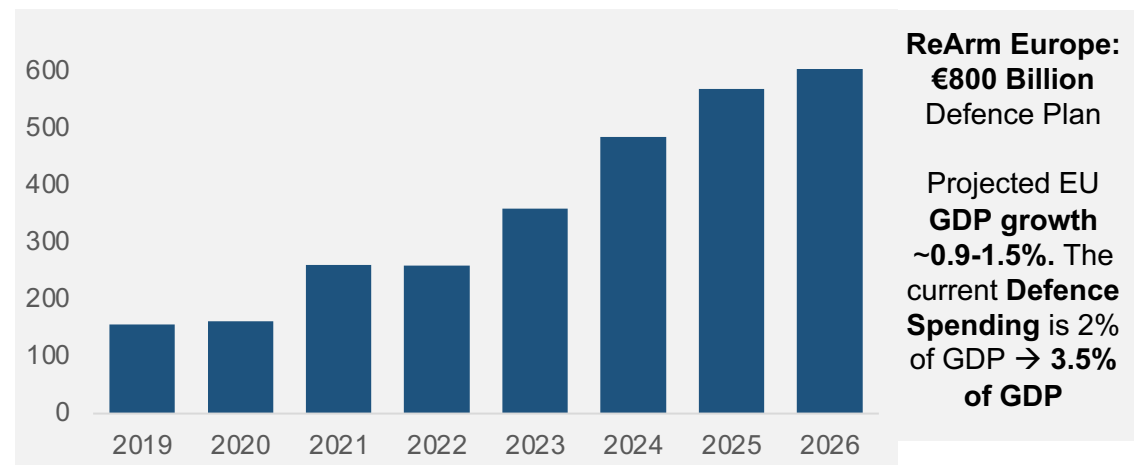


Rate Cuts, Strong Euro and Government Spending

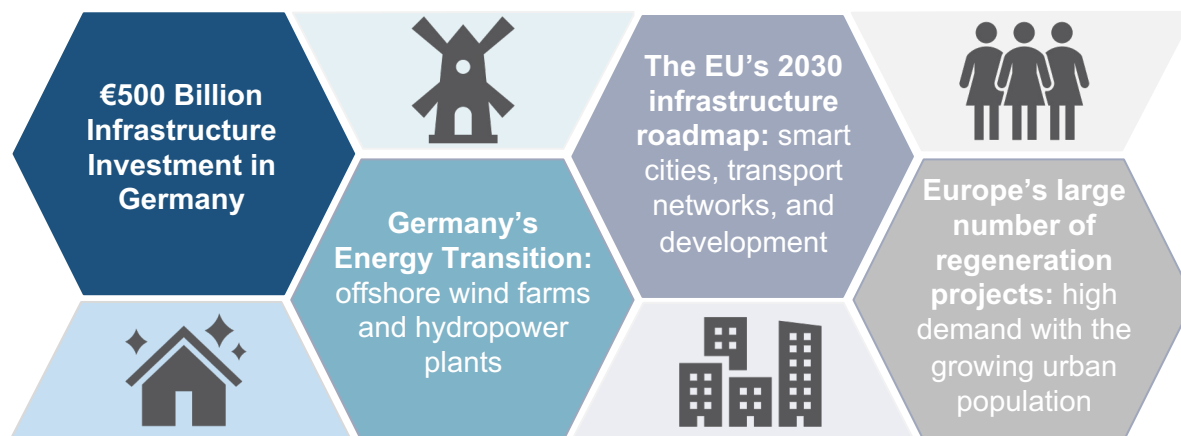
ECB Interest Rate Cuts Boost Construction Sector



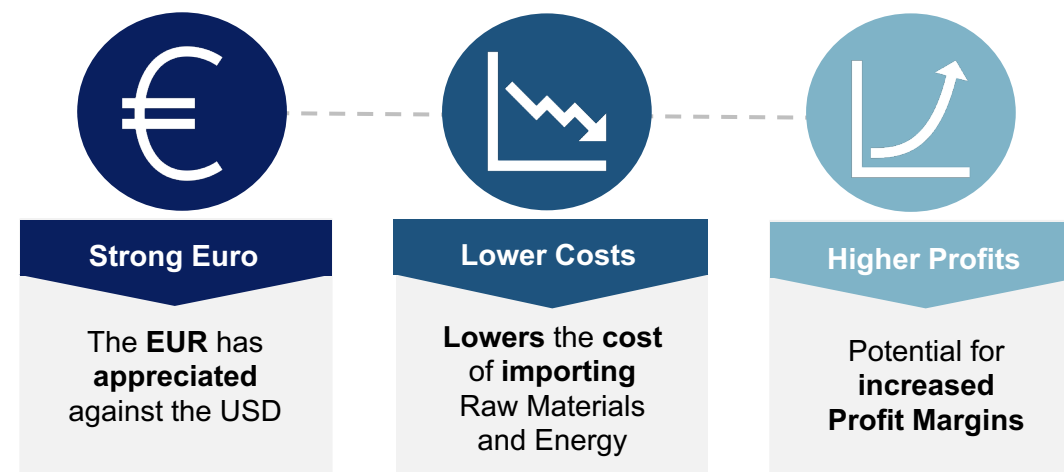
Increasing European Collaborative Defense Spending (in Millions)



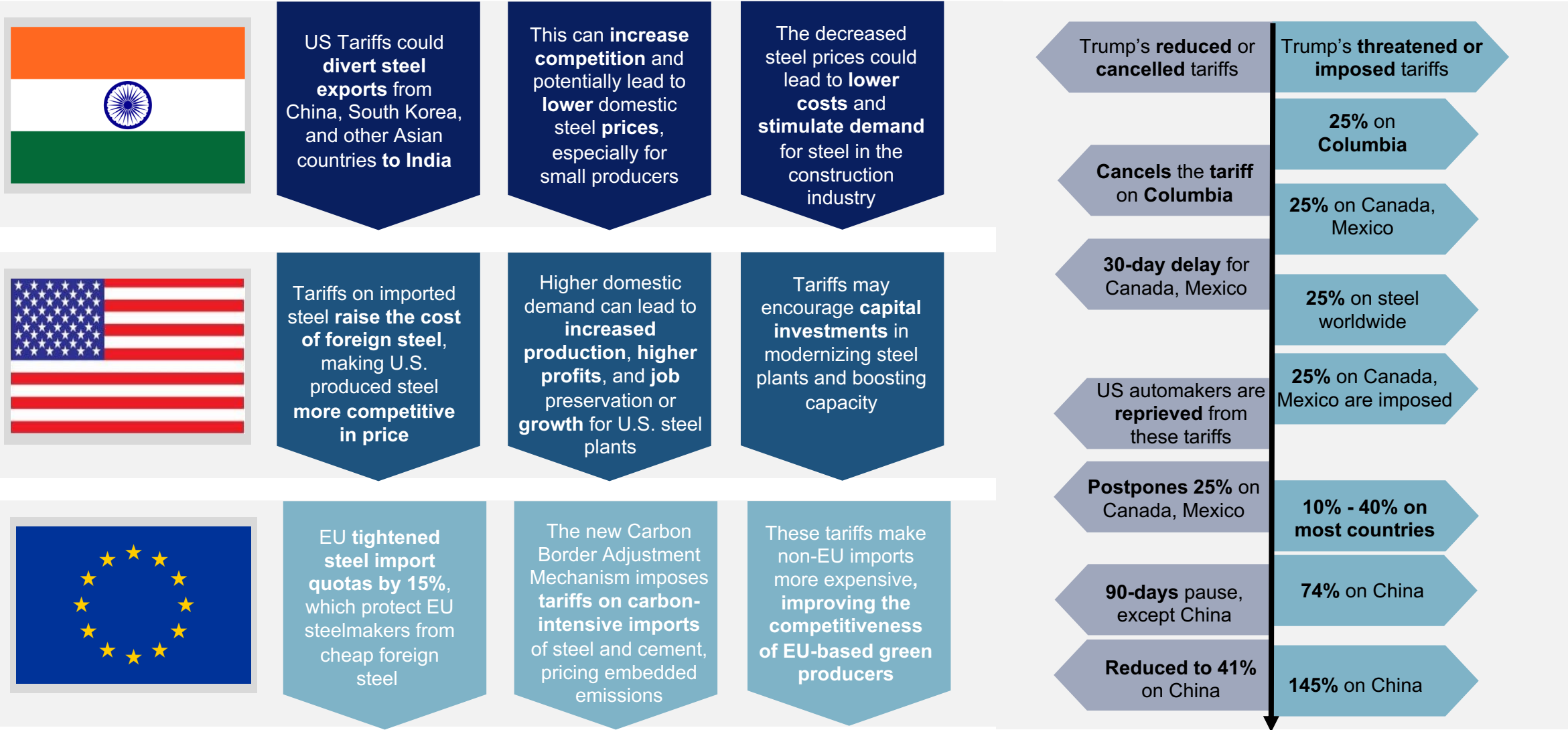
Ambitious Infrastructure Projects drive Steel and Cement Demand x



Low Interest Rates & Strong Euro



Tariff War Benefits Steel and Cement





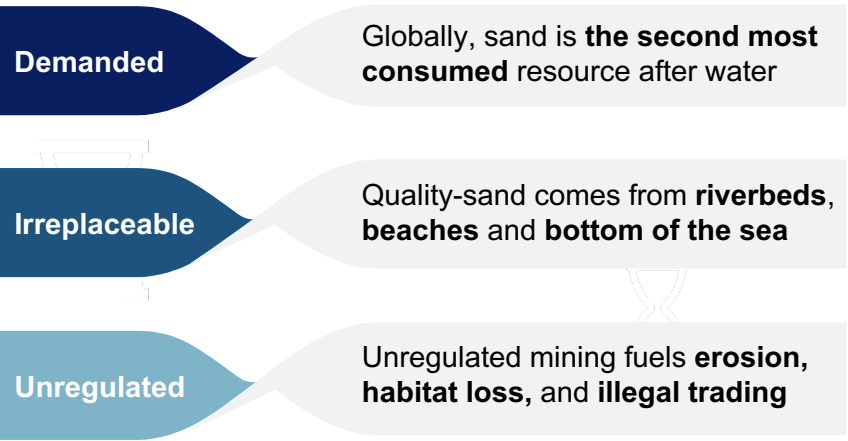
Dynamics

Demand driven by Revival Trends in Global Construction

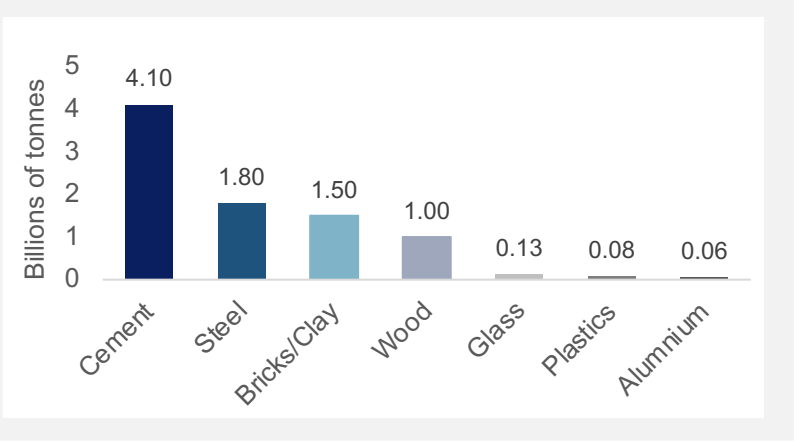
Positive projections for urban and industrial development



Scarcity issues: running out of Sand



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

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

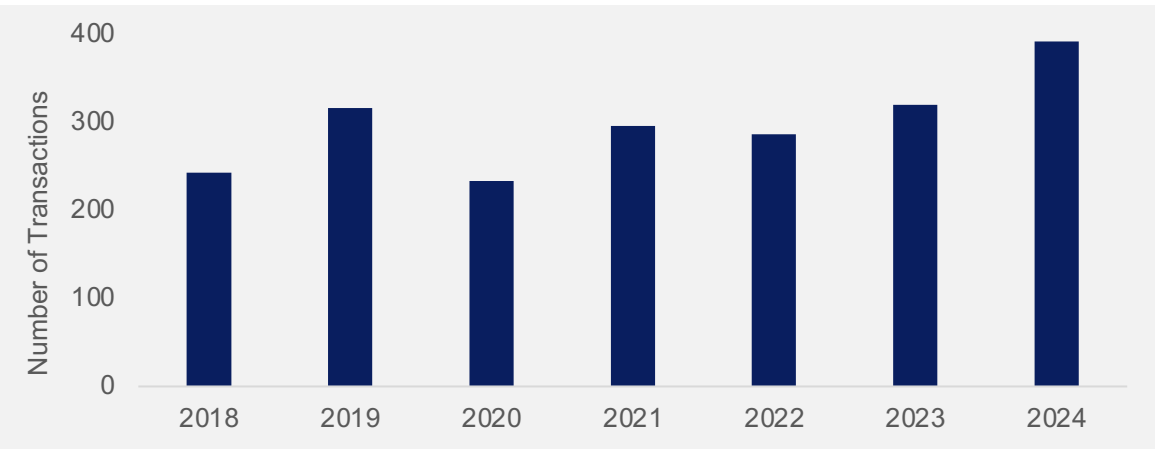
Why This Matters?

-  **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




Low-Emission Production Gains Edge Amid Regulatory Squeeze


Decarbonization Creates Supply Constraints



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




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 **long-term structural demand** (EU CBAM & ETS)

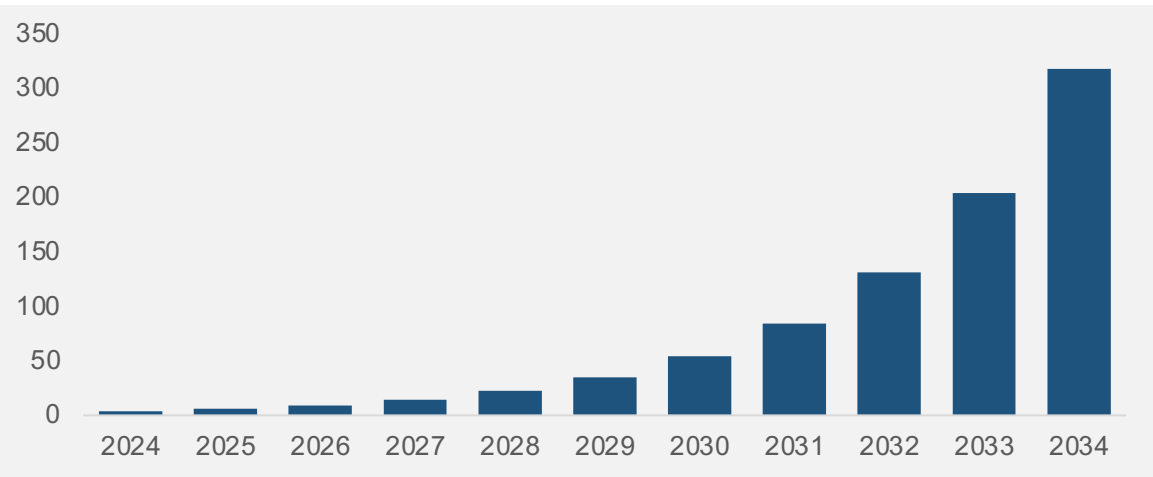


First movers in green steel cement benefit from **premium pricing, stronger margins**, and long-term competitive advantages



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

Portfolio I

Equity Selection I



Cement

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



P/E 51
P/B 4.9
EBITDA Margin 20%
Regions 1

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



Steel

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



P/E 70
P/B 3.2
EBITDA Margin 13%
Regions 2

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



Cement

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



P/E 29
P/B 2.5
EBITDA Margin 19%
Regions 1

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



Materials

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



P/E 15.7
P/B 3
EBITDA Margin 34%
Regions 1

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

Portfolio II

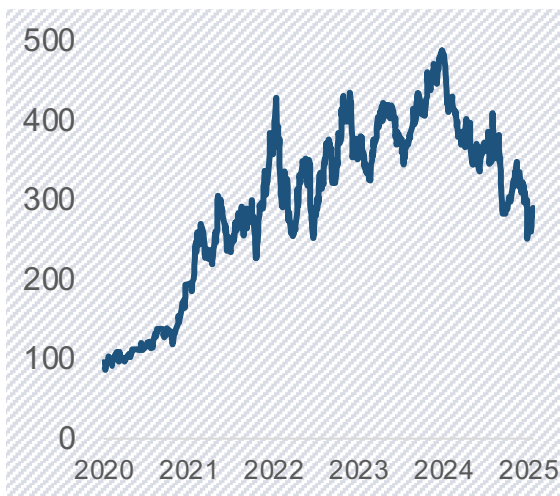
Equity Selection II

W U T I S

NUCOR®

Steel

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.



P/E
13.7



P/B
1.32



EBITDA
Margin 11%



Regions
1

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



Materials

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



P/E
18.1



P/B
2.86



EBITDA
Margin 20%



Regions
4

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



Materials

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



P/E
18.9



P/B
3.37



EBITDA
Margin 6%



Regions
4

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



Buzzi Unicem

Cement

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



P/E
8.6



P/B
1.22



EBITDA
Margin 30%



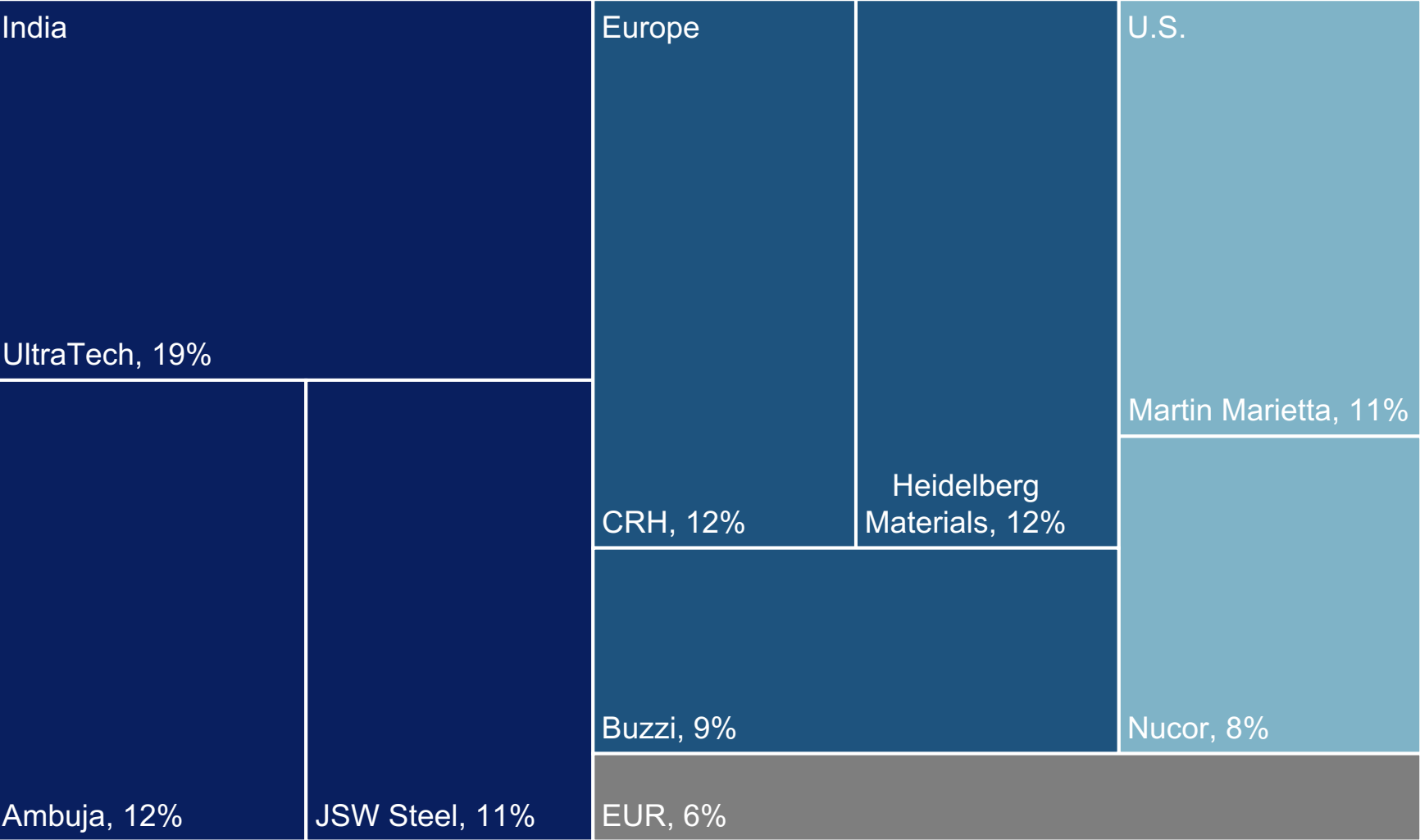
Regions
5

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

Portfolio Allocation

Selective and Optimised Equity Selection

Holdings

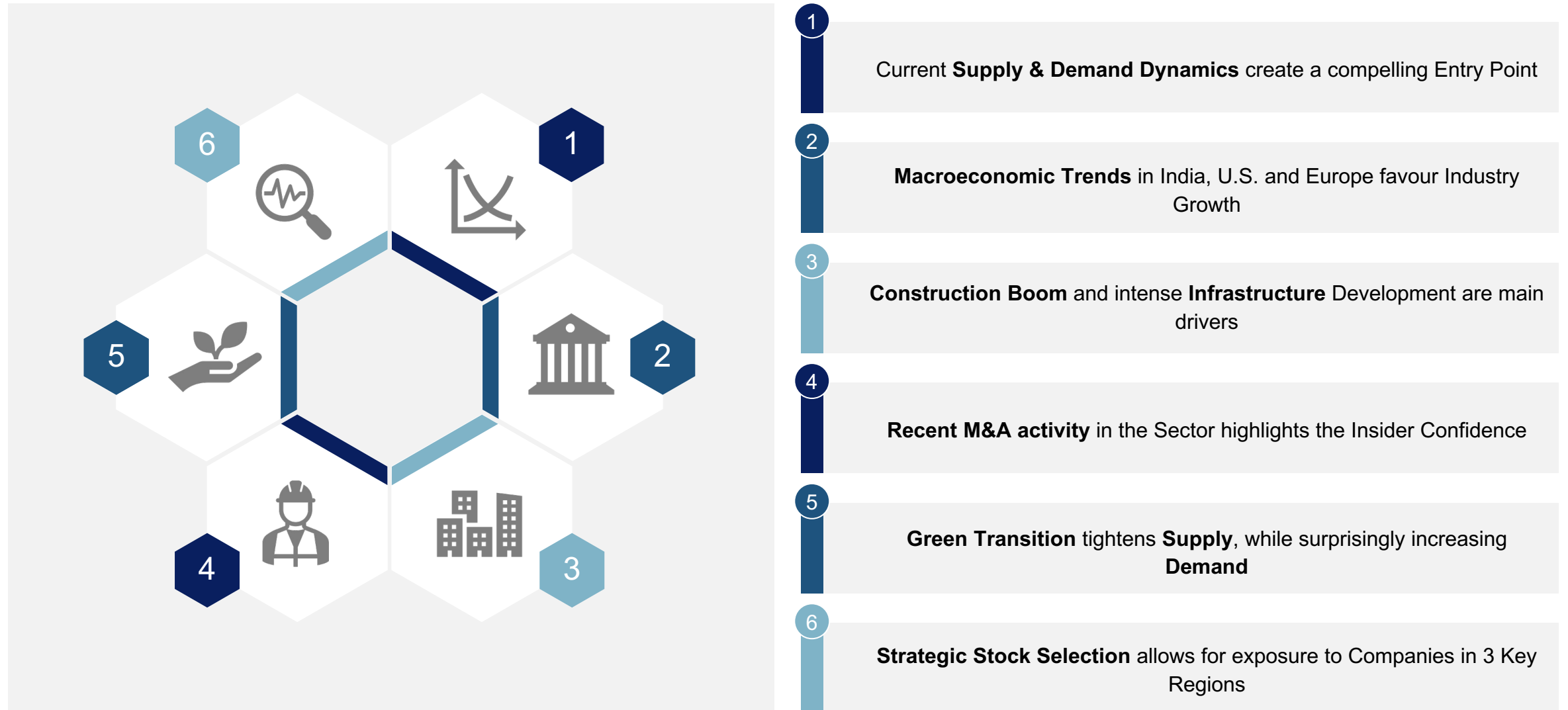


Approach

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**





Appendix

Sources

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

Sources

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

Sources

Source Name	Link	Date of Retrieval	Used for
Atlantic Council	Link	14.04.2025	Slide 9
White House	Link	14.04.2025	Slide 9
Trading Economics	Link	16.04.2025	Slide 9
World Economic Forum	Link	16.04.2025	Slide 9
Mckinsey	Link	16.04.2025	Slide 16
JSW Steel	Link	16.04.2025	Slide 16
Global Data	Link	16.04.2025	Slide 16

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