

Sterling Infrastructure (STRL)

The Foundation of the AI Boom

High-Conviction Long Pitch

Structural Multiple Arbitrage

Best-in-Class FCF Conversion

The Investment Thesis: Misunderstood Transformation



Structural Paradigm Shift

STRL is no longer a cyclical heavy highway contractor. It is a capacity-constrained, premium specialty E&C. Mission-critical E-Infrastructure now drives **>75%** of operating income.



The M&A Arbitrage Flywheel

Management creates massive equity value by acquiring niche contractors at **5-9x EBITDA** and integrating them into a unified platform currently trading at a **>20x forward multiple**.



The Valuation Disconnect

Despite a massive multi-year run, STRL trades at a **multi-turn discount** to best-in-class Specialty E&C peers (**EME, FIX, PWR**) while exhibiting identical FCF conversion and **superior data center exposure**.

The Metamorphosis: Escaping the Civil Cyclicity

Old STRL

Heavy highway & low-bid civil.

Highly competitive, cyclical public funding.

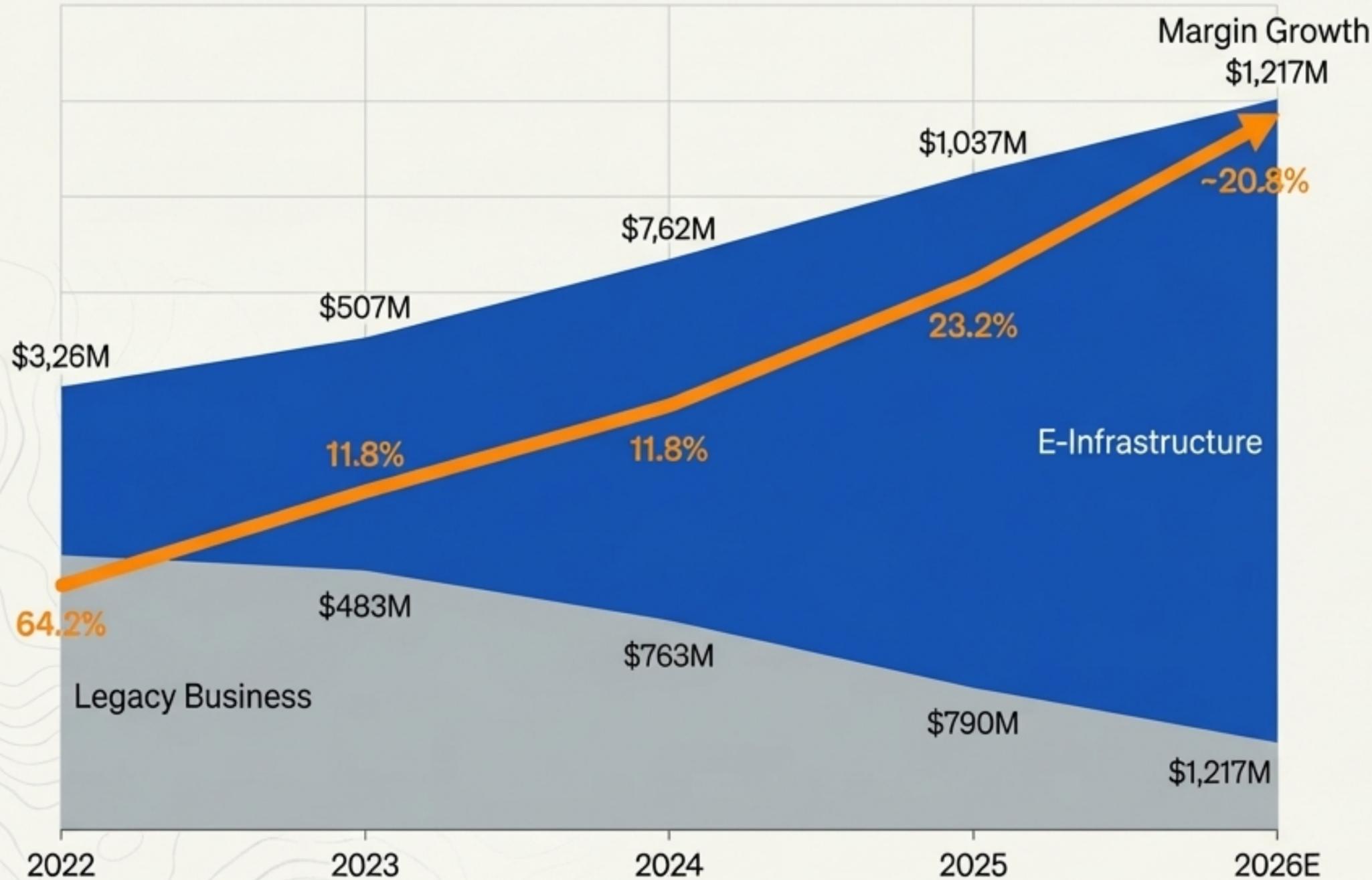
Fixed-price, low-bid execution risk.

Single-digit EBITDA margins.

New STRL

- **Mission-critical site development & electrical (Data Centers, Fabs).**
- **Capacity-constrained, secular AI/Reshoring tailwinds.**
- **Negotiated, multi-phase recurring mega-projects.**
- **20%+ EBITDA margins and climbing.**

Backlog Quality Transformation Drives Margin Expansion



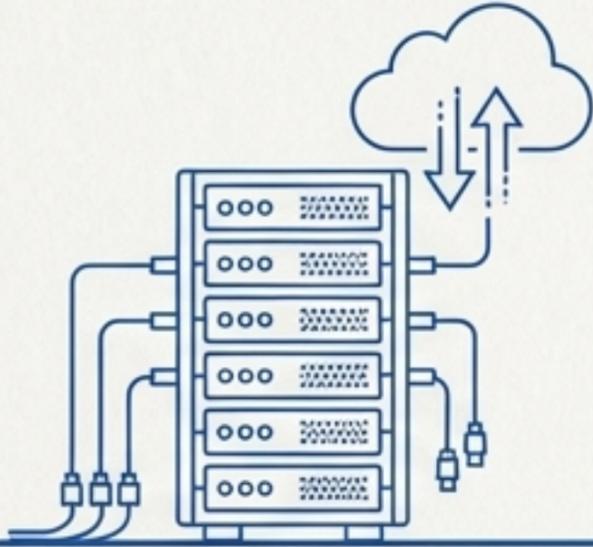
The Squeeze: E-Infrastructure now commands >65% of backlog.

The Growth: Data center revenue specifically is growing at >60% YoY.

The Result: Total adjusted EBITDA margin expanded from 11.8% in 2022 to a projected ~20.8% in NTM.

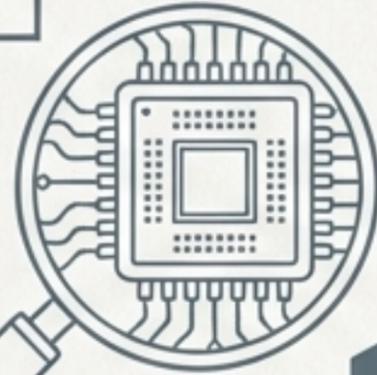
Visibility: E-Infrastructure RPOs sit at \$1,217M, reflecting immense runway.

Riding the Capacity-Constrained Mega-Trends



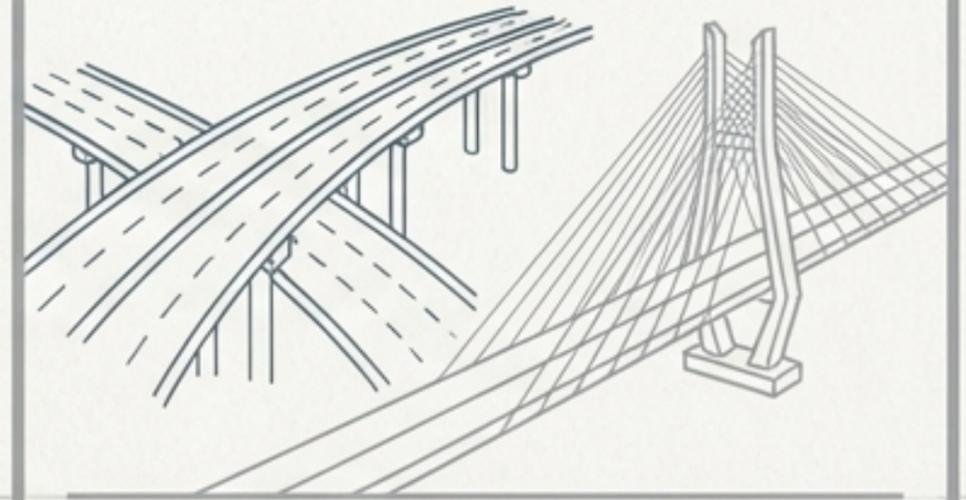
AI & Cloud Computing

>30% of total revenue is now pure-play data center work. Demand from hyperscalers (Meta, Intel) is surging, driving E-Infrastructure organic growth of 42% to 67%.



Supply Chain Reshoring

Exposure to advanced manufacturing, semiconductor fabrication plants, and pharmaceutical facilities.

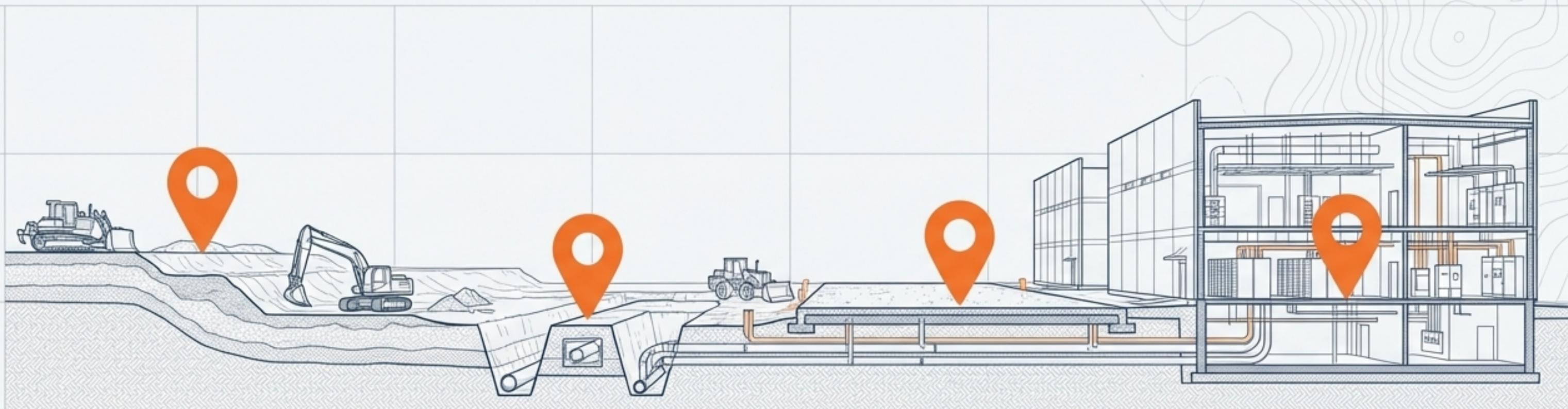


Domestic Infrastructure (IIJA)

De-risked, multi-year funding visibility for the Transportation segment.

Together, these secular themes account for >50% of STRL's total revenue, insulating the book from macroeconomic housing/consumer cyclicality.

The Pick and Shovel Value Chain



Step 1: Site Clearing & Grading (Plateau/Petillo)

Massive earthmoving, laying the literal groundwork.

Step 2: Underground Utilities

Trenching, duct banks, storm drainage.

Step 3: Concrete Slab Foundations

Highly specialized heavy pouring for multi-building campuses.

Step 4: Inside Electrical & Mechanical (CEC)

Mission-critical power routing, switchgear, and cooling.

Key Insight: STRL is systematically acquiring capabilities across this timeline to double or triple its total content per hyperscaler project.

The Moat: Why Hyperscalers Choose STRL

Unmatched Scale

The largest excavating contractor in the US. Requires ~\$200M in equipment and ~\$50M working capital just to compete on mega-projects.

Technology Leadership

Early and aggressive adoption of BIM / 3D modeling, drone surveying, and telematics for precision execution.

Vertical Integration

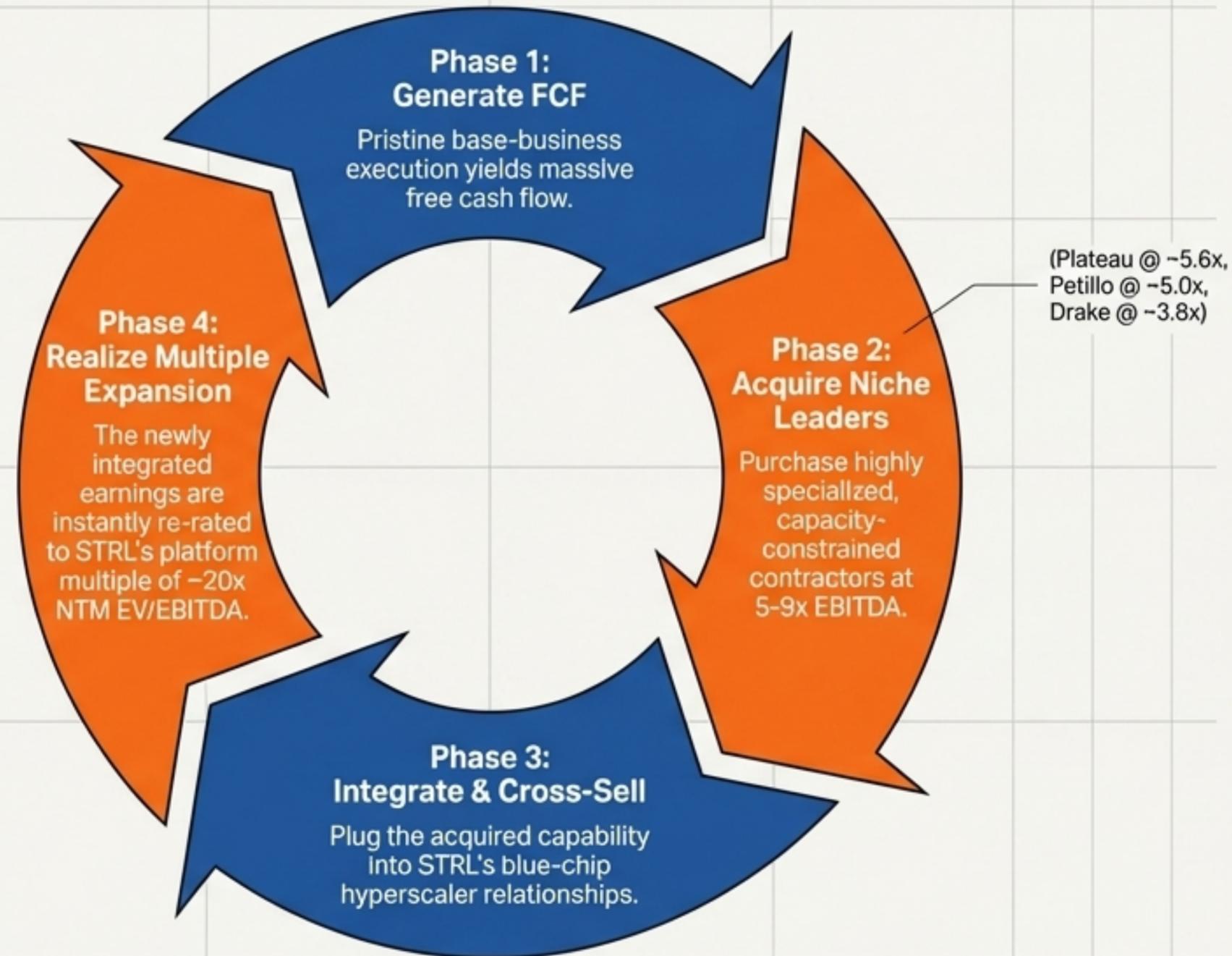
Turnkey capabilities from earth-moving to electrical eliminate the need for hyperscalers to herd multiple disparate subcontractors.

Pristine Safety & Speed

An Experience Modification Rate (EMR) of 0.74 (vs. industry average of 1.00).

Speed to market is the #1 priority for AI developers; STRL delivers ahead of schedule.

The Alpha Generator: M&A Multiple Arbitrage



Transformational Case Study: CEC Facilities Group

The Deal Metrics: \$505M acquisition at an implied 9.6x 2025 EBITDA.

The Profile: A premier electrical and mechanical (E&M) provider. >80% of sales from mission-critical markets (Data Centers, Semis).

The Result: Formally elevates STRL into the elite Specialty E&M sub-group (trading at ~16x - 20x averages).

Wallet Share

Has the potential to triple STRL's content per data center project.

Client Synergy

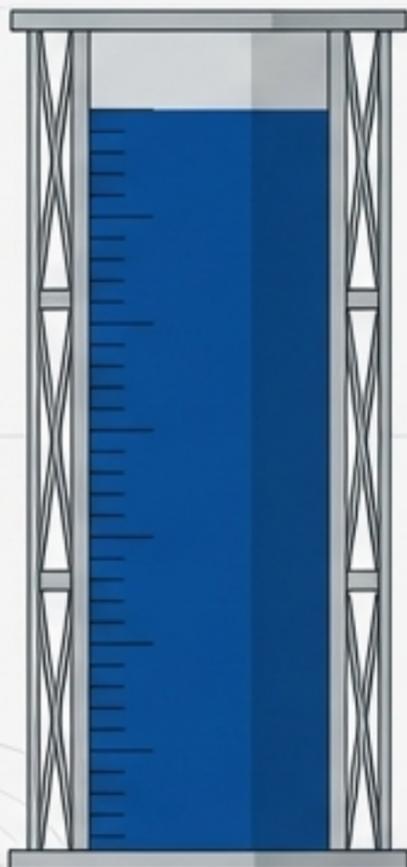
Cross-pollinates STRL's Data Center dominance with CEC's Semiconductor depth (Texas Instruments, Samsung).

Strategic Rationale

Provides a new mode of services and a platform for expansion in high-demand, resource-scarce markets.

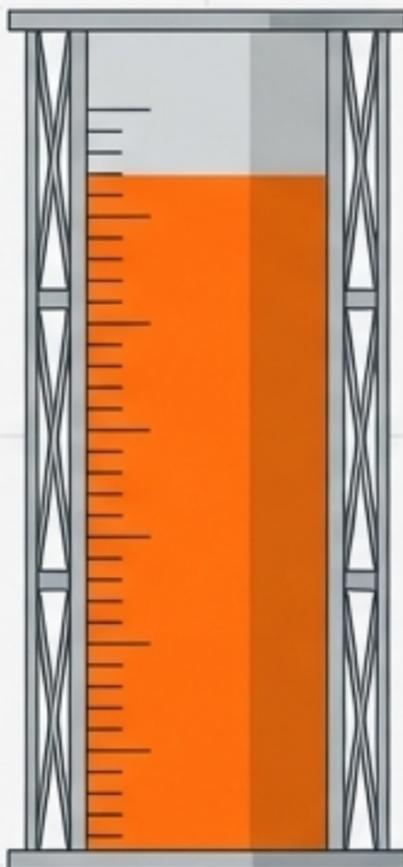
Pristine Balance Sheet & Capital Firepower

Net Cash Position



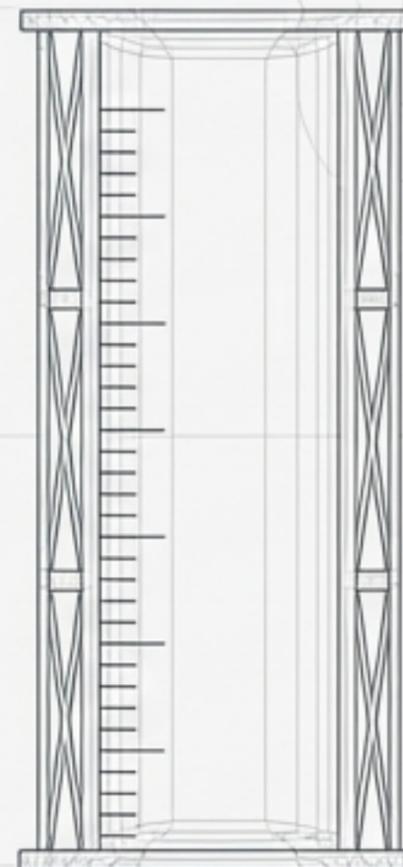
Ended the period with
~\$100M in net cash and
minimal 0.5x leverage

Shareholder Return



Authorized a massive
\$400M buyback program,
with **\$374M** in remaining
capacity heading into 2026

The 4th Leg Pipeline



Management evaluates **>100 deals**
per year, maintaining ultimate
flexibility to add a 4th Leg to the
enterprise with recurring revenue or
long-term infrastructure trends.

The Cash Cows: Transportation Solutions



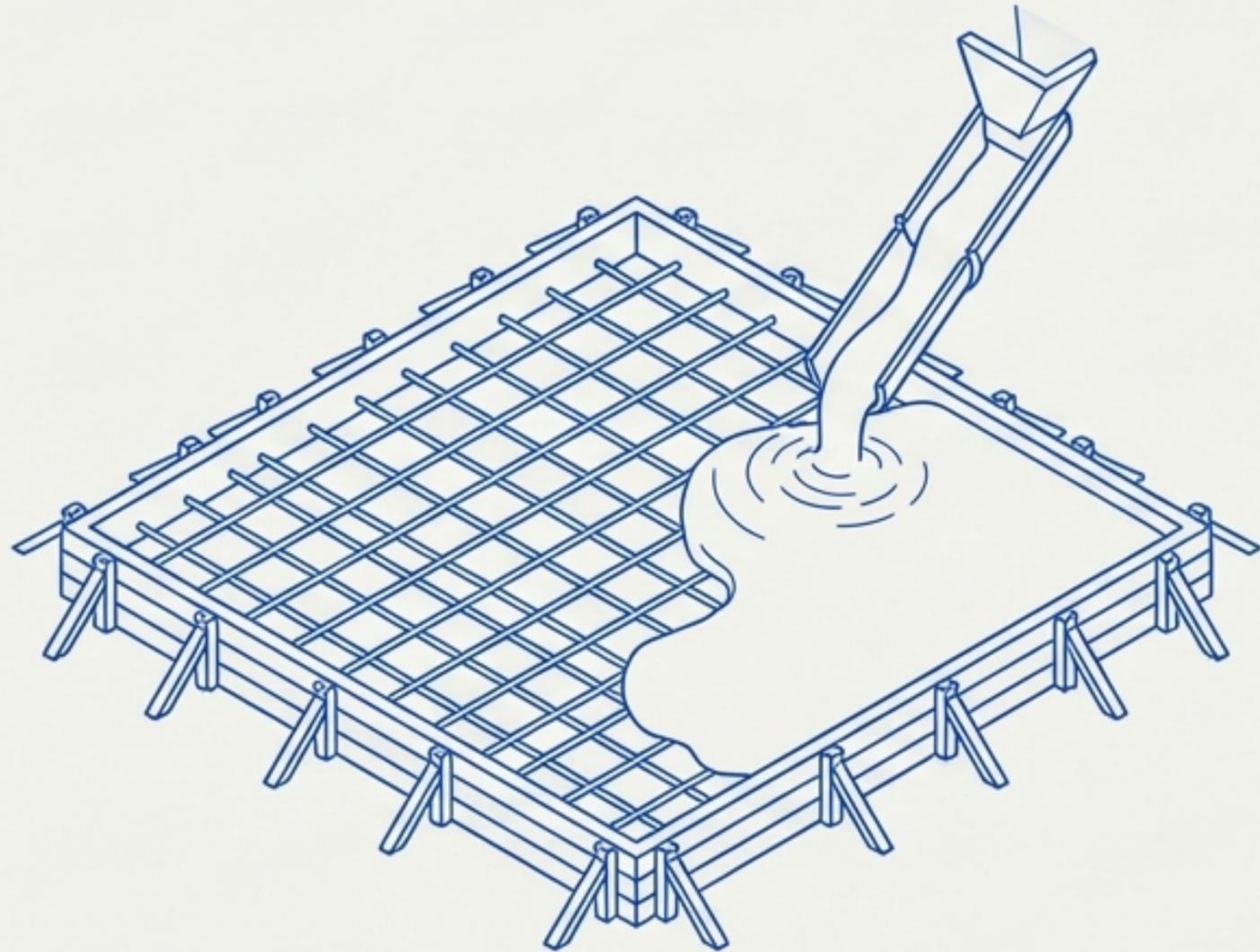
The Insight ▲

This multi-year lagging flowchart proves how IIJA funding creates an insulated, de-risked backlog. Incremental federal funds provide a visible 4-to-6 year spending tailwind.

Margin Shift ▲

Shifting intentionally toward alternative delivery, aviation, and rail to secure 100-200 bps of structural margin expansion.

The Cash Cows: Building Solutions



The Economic Reality

While exposed to residential housing cyclicality (Dallas/Houston markets), the segment operates with a highly variable cost structure.

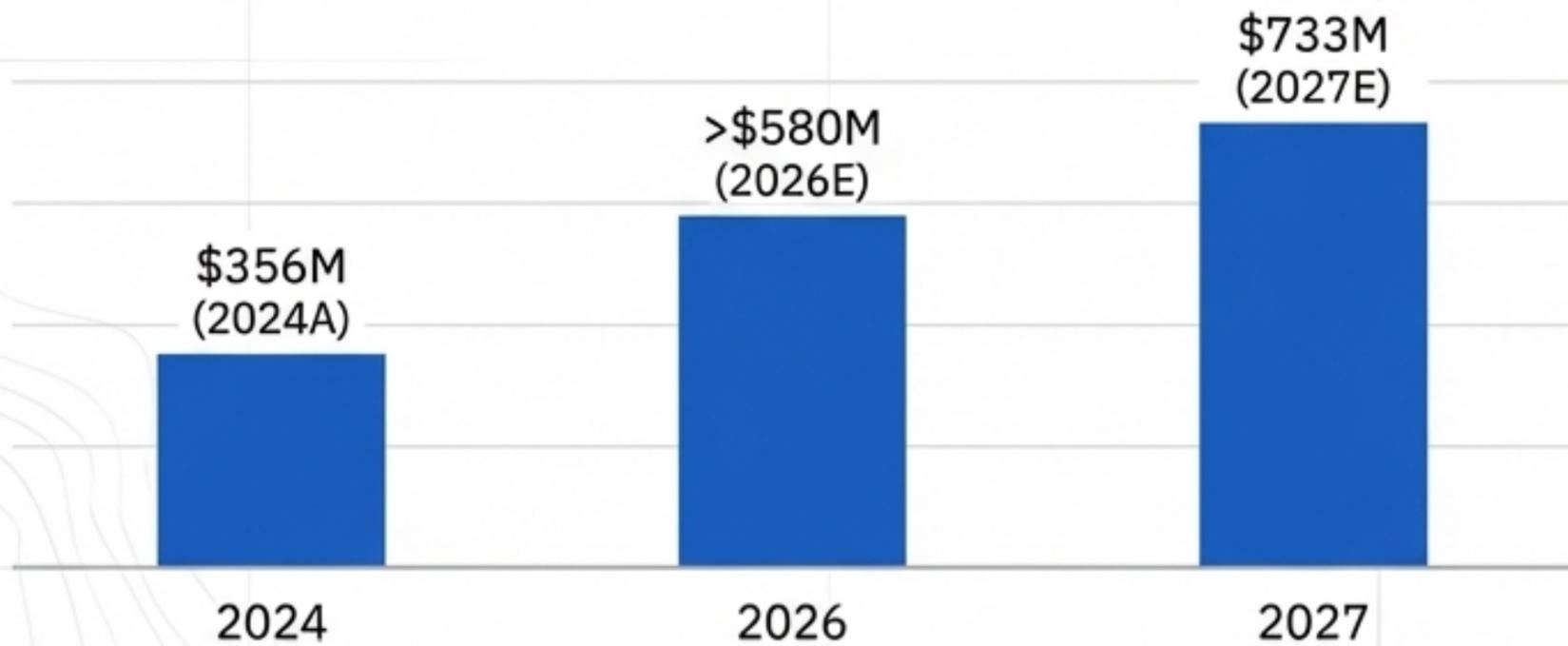
Risk Mitigation

~80% of labor is subcontracted, allowing STRL to flex costs rapidly in a downturn without burning capital.

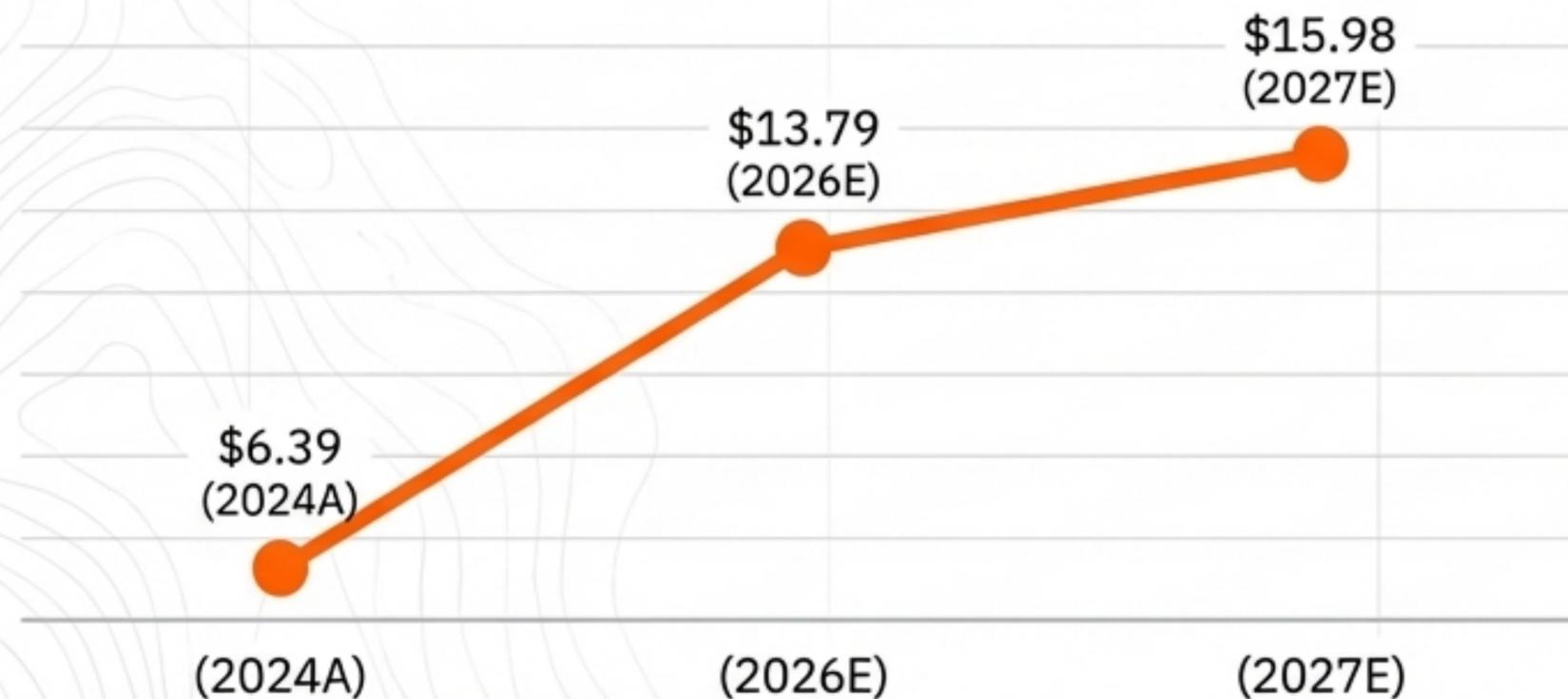
The Hidden Alpha

STRL actively repurposes traveling commercial concrete crews from this segment to construct data center duct banks, accelerating the margin-rich E-Infrastructure shift.

The Financial Trajectory: Compounding at Scale



Revenue crossing the \$3 Billion threshold.



Key Takeaway

A highly visible, compounded growth rate of ~20% across EPS and EBITDA through 2027.

The Valuation Disconnect: A Specialty E&C in Disguise

Peer Valuation Diagnostics

Company / Group	FCF Conversion %	Data Center Exposure %	NTM EV/EBITDA
STRL	Matches Elite Specialty Peers	Leads or Matches Specialty Peers	~20x (Multi-Turn Discount)
Civil Peers (GVA, CDNL)	Low	Minimal to Zero	Single Digit to Low-Teens
Specialty Peers (EME, FIX, PWR)	High	High	Premium (Best-in-Class)

The Insight: The market still prices a Heavy Highway penalty into STRL. As E-Infrastructure approaches 80% of OI, a structural re-rating to match EME/FIX multiples is mathematically inevitable.

Catalysts & Key Debates

The Bear Case

Macroeconomic cyclicalities, housing slowdowns, and peak multiple fears will drag the stock down.

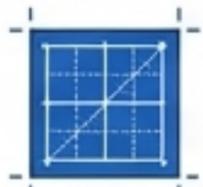
The Reality

E-Infrastructure is practically immune to consumer macro. Hyperscaler data centers are multi-phase, 6-to-36-month mega-projects with locked-in funding.

The Proof

The company just guided 2026 EBITDA 10% above Wall Street consensus, driven by normalized E-Infrastructure backlog surging 31% YoY.
Hyperscalers are certainly not pulling back.

The Blueprint to Alpha



A fully realized transformation into a capacity-constrained, premium infrastructure provider.



A mathematically proven M&A arbitrage engine backed by \$374M in buyback/deal firepower.



Top-tier margin expansion and FCF conversion demanding a specialty re-rating.



The Target

Consensus PTs rapidly climbing to \$486 (Stifel) and \$505 (Sidoti), with clear visibility for further appreciation as the CEC acquisition fully integrates.