



INDEPENDENT EQUITY RESEARCH

Industrials.

Overview



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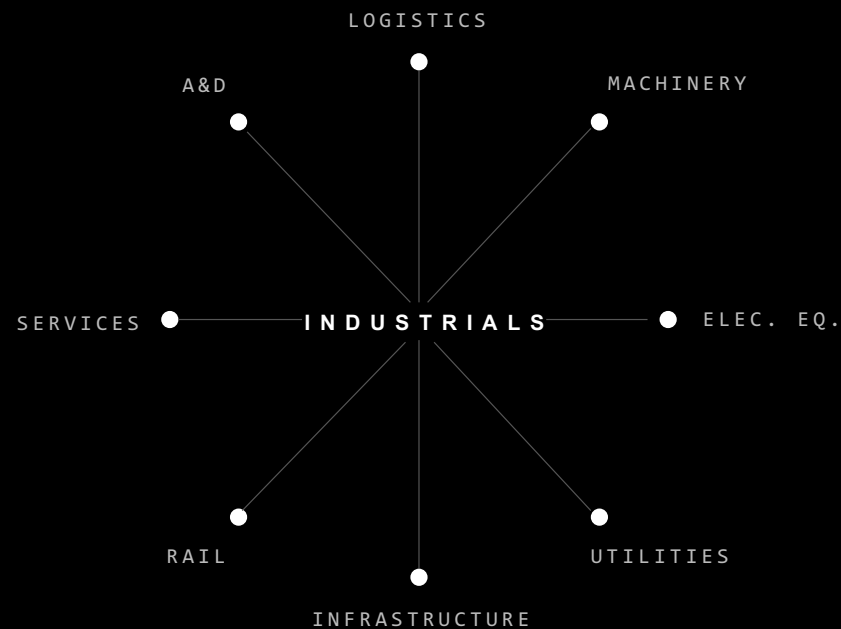


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SECTOR TOPOLOGY



01 SECTOR OVERVIEW

What Industrials means in IB taxonomy.

Industrials is the GICS sector covering companies that manufacture, move, and service the physical economy. In banking practice, it is organized around three groups: capital goods, transportation, and commercial & professional services. PUI is technically adjacent and separately classified but operationally interconnected through power, grid, and project execution.

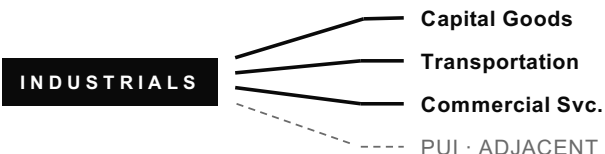
8.5%

S&P 500 WEIGHT
us500.com · Apr 2026

\$5.2T

MARKET CAP
S&P DJI · Jan 30, 2026

FIG. 02 · SECTOR MAP



02 BUSINESS MODEL

How revenue is generated.

Industrial economics differ meaningfully from PUI economics. Industrials sell capital equipment and services into cyclical end markets; PUI sells regulated or contracted output. The cash-flow signatures are not interchangeable.

CAPITAL GOODS

CAPEX - DRIVEN

- OEM unit sales tied to customer capex
- Backlog provides forward visibility
- Aftermarket compounds at higher margin

TRANSPORTATION

VOLUME × YIELD

- Revenue = volume × pricing yield
- Network density defines unit economics
- Sensitive to GDP and trade flows

COMMERCIAL SVC.

RECURRING

- Headcount-billed or contracted revenue
- Lower capital intensity, steady margins

PUI · CONTEXT

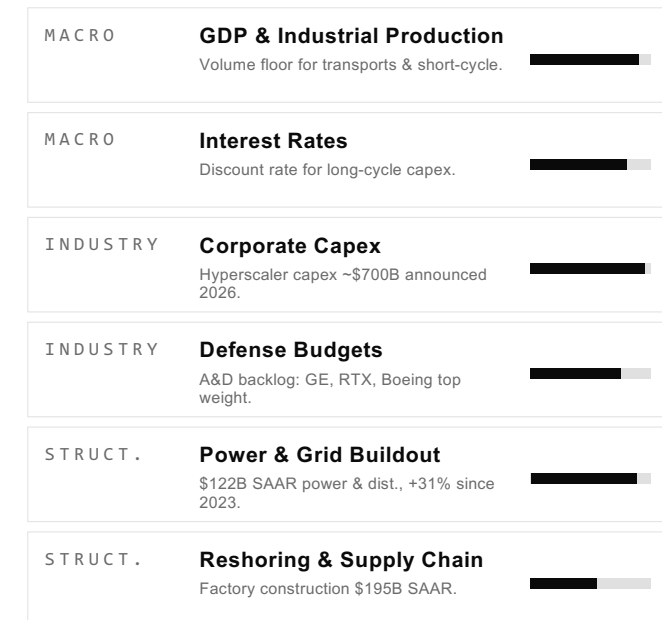
RATE-BASE / CONTRACT

- Regulated returns on rate base
- Long-duration contracted cash flows

03 VALUE DRIVERS

What moves the sector.

Industrials is a derivative of three layers: macro demand, industry capex, and structural shifts in capital deployment.



Sources: U.S. Census Construction Spending; FactSet Earnings Insight, Apr 2026.

04 VALUATION

Frameworks & current multiples.

Industrials are valued primarily on EV/EBITDA. The firms are usually capital-structure neutral and consistent across leverage profiles. PUI inverts that order: P/E and dividend yield dominate because rate-base mechanics produce stable, predictable earnings.

| SUB-GROUP | PRIMARY | SECONDARY | TERTIARY |
|-----------------|-----------|------------|-------------|
| Capital Goods | EV/EBITDA | P/E | FCF Yield |
| Transportation | EV/EBITDA | EV/EBITDAR | P/E |
| Commercial Svc. | EV/EBITDA | P/E | EV/Sales |
| PUI · Utilities | P/E | Div. Yield | P/Rate Base |
| PUI · Infra. | EV/EBITDA | DCF | Div. Yield |

FIG. 03 • FORWARD P/E • APR 2026



Sources: FactSet Earnings Insight, Apr 2026; S&P Capital IQ. Industrials/Utilities NTM consensus.

05 212 EQUITY STRATEGY

Independent positioning.

Read across the data: Industrials is trading above its long-run multiple while sitting on a capex backdrop unlike anything in the prior cycle. Roughly \$700B in announced 2026 hyperscaler capex, \$122B annualized U.S. spending on power plants and distribution (+31% since 2023), and a Q1 earnings surprise of +10.9% argue the cycle is real. But the multiple has already moved. The opportunity is no longer the sector itself. It is the specific names within it.

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| | |
|---|---|
| <p style="text-align: center; font-weight: bold;">SECTOR STANCE</p> <p>Constructive, selective. Cycle drivers are durable; valuation leaves limited margin for execution slippage. Stock-picking dominates beta.</p> | <p style="text-align: center; font-weight: bold;">SUB-SECTOR PREFERENCE</p> <p>Overweight Electrical Equipment & A&D prime. Equal-weight Rail. Underweight short-cycle Machinery into 2H consensus.</p> |
| <p style="text-align: center; font-weight: bold;">PUI READ-ACROSS</p> <p>Power demand thesis is real, but PUI risk premia have compressed. Prefer industrials supplying the buildout over utilities receiving it.</p> | <p style="text-align: center; font-weight: bold;">POTENTIAL MISPRICING</p> <p>Aftermarket-heavy A&D trades at parity with cyclical OEMs despite higher-quality recurring revenue.</p> |

The cycle is real but the price isn't cheap. We'd own the companies selling equipment into the power and AI buildout, and the defense names earning steady service revenue, not the broad sector at today's multiple.