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Four Companies That Could Help Develop Infrastructure in the United States

U.S. Infrastructure development is front and center in the national conversation. After many years of stagnation, the United States seems to be moving toward meaningful infrastructure spending. On March 31st, the Biden Administration announced [the American Jobs Plan](#). The plan seeks to revitalize the country’s backbone through sweeping federal spending across major infrastructure areas. These include components of physical infrastructure like roads and bridges, ports and waterways, buildings, and public transit; as well as next-gen areas like clean energy and related CleanTech, modernized water utilities, and digital infrastructure.

The Jobs Plan is currently the subject of spirited debate in Washington as members of both parties negotiate the specifics of what would be drafted into law. While it is uncertain how closely any legislation might mirror the Jobs Plan, we expect a significant public spending bill to pass in 2021, funneling billions of dollars to U.S. infrastructure-exposed companies. This includes companies involved in construction and engineering services, products and equipment, raw materials and composites, as well as industrial transportation.

U.S. INFRASTRUCTURE DEVELOPMENT SUB-THEMES

<p>CONSTRUCTION & ENGINEERING SERVICES</p> <p>Companies that provide engineering, design, maintenance and construction services for large-scale infrastructure projects such as energy generation/distribution, water/wastewater, telecommunications, transportation (roads, bridges, tunnels, rail), airports and seaports.</p>	<p>RAW MATERIALS & COMPOSITES</p> <p>Companies that produce and supply raw and composite materials (steel, copper, nickel, tin, aluminum, concrete, asphalt, cement and specialty chemicals) that are utilized in the construction and development of infrastructure projects.</p>
<p>PRODUCTS & EQUIPMENT</p> <p>Companies that sell or rent heavy construction equipment, cranes, electric and fiber optic cables, pipes, pumps, smart meters and other products or equipment utilized in large-scale infrastructure projects.</p>	<p>INDUSTRIAL TRANSPORTATION</p> <p>Companies that transport infrastructure raw materials and equipment.</p> 

Source: Indxx U.S. Infrastructure Development Index Methodology, November 2020.

In this piece, we highlight four companies that exemplify the sub-themes of U.S. Infrastructure Development, including:

- [Jacobs Engineering](#): Providing Construction & Engineering Services from End-to-End
- [Hubbell](#): Manufacturing Electrical Products for an Electrified Future
- [Insteel](#): Enabling Resilience Through Raw Materials & Composites
- [Union Pacific Corporation](#): Delivering Infrastructure Components by Rail & Road



JACOBS ENGINEERING: PROVIDING CONSTRUCTION & ENGINEERING SERVICES FROM END-TO-END

Jacobs Engineering is a construction and engineering services company that provides a range of services which could play a role in developing 21st century infrastructure in the U.S. These services span both traditional and next-generation infrastructure verticals, including:

- **Transportation:** Designs, plans, and executes transportation projects, including building out and retrofitting major highway and bridge systems, optimizing the performance of ports and waterways through careful planning and construction, and expanding railroad corridors. Notable recent project involvement includes serving as the lead engineer for the \$1.2B reconstruction of Denver Colorado's Interstate-70, leading the Port of San Francisco's modernization and resiliency effort as project manager, and designing the U.S.'s first true high-speed rail in California.¹
- **Buildings:** Engages in planning, design, and construction for projects related to buildings and other structures. Jacobs has a history of working with clients in government, healthcare and life sciences, information technology, aviation, manufacturing and more, providing diverse sustainable solutions across each end-market they serve. Relevant recent projects include providing full architectural and engineering services for the central building at the FDA's headquarters, for new buildings at the University of Texas and University of Pennsylvania, and for about 600K square feet (or \$650M) of Denver International Airport's Concourse Expansion Program.²
- **Clean Energy & CleanTech:** Conducts end-to-end services related to renewable energy and electrification including concept design, project siting, environmental and impact assessments, permitting, project design and management, construction, and continued operations and maintenance. Past projects include wind energy, hydropower, geothermal, and solar photovoltaic. Jacobs also has expertise in hydrogen energy projects.³
- **Water Infrastructure:** Provides engineering and consulting services for projects across the clean water value chain, including those pertaining to water withdrawal and sourcing, conveyance and storage, treatment and recycling, and wastewater management and collection. Recent contracted projects include serving as engineering design manager for California's WaterFix Program, the largest water conveyance project in the state's history, as well as for Colorado's Prairie Waters water treatment project.⁴
- **Digital Infrastructure:** Offers digital infrastructure solutions including end-to-end services related to data centers, smart cities and mobility, telecommunications and networks, and cybersecurity. Over the past 5 years, Jacobs delivered over 10M square feet and \$13B worth of datacenters for its clients, also working with the City of Miami and the City of Peachtree, Georgia, to initiate their smart city efforts.⁵

We think Jacobs Engineering and companies like it are optimally positioned to benefit from U.S. infrastructure development. Jacobs offers solutions across most facets of infrastructure development, including those outlined in the American Jobs Plan. This includes more traditional infrastructure projects, such as those involving physical structures and transportation, as well as next-gen infrastructure projects, like those involving clean energy and digital infrastructure.

Jacobs also has a demonstrated history of executing these projects within the United States and for the public sector. According to September 2020 GeoRev data from Factset, 75% of Jacobs' trailing 12-month revenue came from the United States.⁶ And in 2020, Jacobs reported that contracts with the U.S. government generated 33% of all revenues, or 44% of U.S. revenues. As noted by CEO Steven Demetriou on Jacobs' Q2 2021 earnings call, "as far as the U.S. infrastructure stimulus opportunity, [Jacobs is] extremely well-positioned with the organic capability [it has] today."⁷



JACOBS ENGINEERING HAS HISTORY WORKING ON TRADITIONAL & NEXT-GEN INFRASTRUCTURE PROJECTS

Infrastructure Area	Physical Infrastructure		
	Transportation	Buildings	Resilience
Jacobs' Involvement	<ul style="list-style-type: none"> • Airports • Rail • Ports & waterways • Highways, roads, bridges/tunnels • Smart mobility • Electric/hydrogen transport 	<ul style="list-style-type: none"> • Federal government buildings • State/local government buildings • Hospitals • Commercial buildings/headquarters • Higher education facilities 	<ul style="list-style-type: none"> • Disaster impact mitigation • Clean-up & remediation • Infrastructure preservation • Conservation
Infrastructure Area	Utilities		
	Renewables	Electrification	Water
Jacobs' Involvement	<ul style="list-style-type: none"> • Wind farms • Solar facilities (field/floating) • Hydro power stations • Geothermal developments • Hydrogen capabilities 	<ul style="list-style-type: none"> • Smart grids & micro-grids • EV charging stations • Power system optimization • Battery energy storage systems 	<ul style="list-style-type: none"> • Withdrawal & sourcing • Distribution & conveyance • Storage • Water treatment • Wastewater management
Infrastructure Area	Other		
	Digital Infrastructure	Advanced Manufacturing	Science Facilities
Jacobs' Involvement	<ul style="list-style-type: none"> • Data centers • Telecommunications networks • Smart cities/mobility • Cybersecurity 	<ul style="list-style-type: none"> • Semiconductors • Nanotechnology • Advanced materials • Aviation/automobile assembly • In-space manufacturing 	<ul style="list-style-type: none"> • Labs & research centers • Gene therapy manufacturing • Quantum meteorology centers • Space exploration

Source: Jacobs Engineering, Global X ETFs, 2021.

HUBBELL: MANUFACTURING ELECTRICAL PRODUCTS FOR AN ELECTRIFIED FUTURE

Hubbell is a products and equipment company that manufactures electrical products used across diverse end-markets and settings. Hubbell's products could play a role in several areas U.S. infrastructure development areas, including:

- **Buildings:** Produces equipment and components used in electrified buildings and structures across most sectors, from residential to commercial and industrial. These include products related to electrical transmission, permanent/temporary lighting, and improving energy efficiency, as well as those used in building construction and engineering projects.⁸
- **Clean Energy & CleanTech:** Manufactures products used in renewable energy projects. This includes components used in renewable electricity generation and transmission, as well as in construction and installation of renewable energy sources.⁹ Hubbell also manufactures electrical products used in utility-level power distribution including smart grid components.¹⁰
- **Digital Infrastructure:** Offers equipment and components used in data centers and telecommunications infrastructure. These products include cables, connectors, and devices used in data transmission and electrical transmission, as well as equipment like server racks, wall mounts, and cable management systems.¹¹

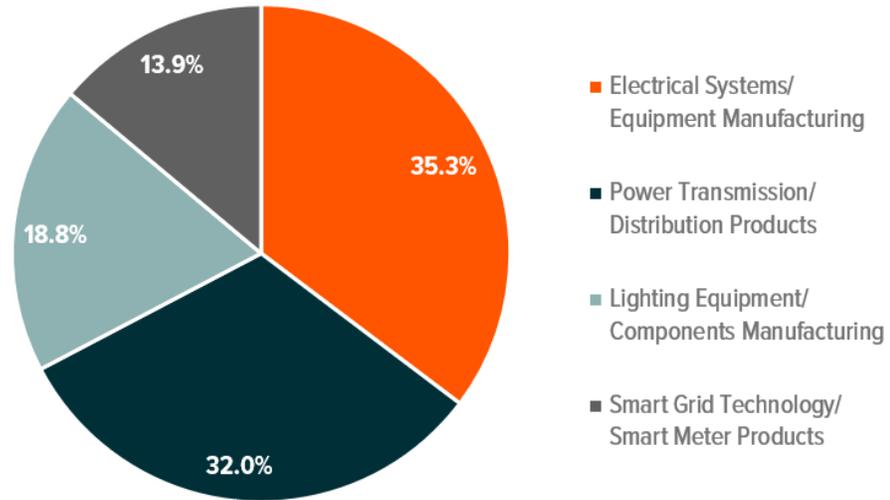
Products and equipment companies like Hubbell could benefit from broad investment in U.S. infrastructure. The Jobs Plan features over \$300B+ of spending related to clean energy and CleanTech.¹² Hubbell's electrical product offering would position them to benefit from such spending. Though this portion of the Plan is a subject of great debate in Washington, less contested and similarly massive spending on buildings and digital infrastructure could also translate to revenues for Hubbell. In our view, Hubbell's 92% revenue exposure to the U.S. and close relationship with construction engineering



companies like Quanta Services adds credence to their ability to capture infrastructure revenues.^{13,14}

HUBBELL REVENUE STREAMS SPAN MULTIPLE CATEGORIES RELEVANT TO INFRASTRUCTURE DEVELOPMENT

HUBBELL REVENUE BREAKDOWN (% OF TOTAL REVENUE)



Note: Revenue categories representative of Factset RBICS level 6 industry classification, numbers determined by FactSet's proprietary RBICS algorithm.
Source: Factset, Global X ETFs, May 2021.

INSTEEL: ENABLING RESILIENCE THROUGH RAW MATERIALS & COMPOSITES

Insteel is a raw materials and composites company that manufactures reinforcing steel wiring. Insteel products are employed across various concrete construction applications, including projects related to:

- **Transportation & Buildings:** Manufactures steel welded wire reinforcement (WWR) products that improve the structural integrity of concrete. One of these products, standard welded wire reinforcement, prevents concrete from cracking, an essential feature of resilient buildings and bridges. Engineered structural mesh, another WWR product, distributes weight evenly throughout concrete, fortifying weight-bearing infrastructure like tunnels and bridges.¹⁵ Insteel also sells drawn steel wire with a multitude of applications including use in railroads.
- **Water Utilities:** Offers concrete pipe reinforcement as a part of its WWR offering. This steel wiring reinforces concrete piping used for wastewater collection and management, as well as in irrigation projects.¹⁶

Raw materials and composites companies like Insteel provide the critical ingredients that form physical infrastructure assets. Buildings, transportation, and water utilities are likely to feature welded wire reinforcement and other steel wire reinforcement products, as is standard. A new emphasis on longevity and resilience could drive further usage of these products as infrastructure is built or retrofitted to withstand extreme weather events and the test of time. Insteel could be particularly well-positioned to benefit from this spending, considering its 99.5% revenue exposure to the U.S.¹⁷



UNION PACIFIC CORPORATION: DELIVERING INFRASTRUCTURE BY RAIL & ROAD

Union Pacific is an industrial transportation company that operates the largest railroad network in the United States, spanning more than 50K miles across 23 states.¹⁸ They serve clients across most sectors, shipping construction products, industrial chemicals, raw materials and composites, energy, and food across the western U.S. Like many industrial transportation companies, Union Pacific's services go beyond the reach of their railroads and include door-to-door and last mile delivery.¹⁹

In our view, industrial transportation companies like Union Pacific are essential enablers of U.S. infrastructure development. They are the companies that bring the raw materials and composites and the products and equipment that make up infrastructure to construction sites. Infrastructure development often involves building new infrastructure in previously hard to reach places – this is a challenge for those initially building this infrastructure. Door-to-door industrial transportation services help solve these logistical challenges and improve the efficiency of construction and engineering companies.

CONCLUSION

Broad U.S. infrastructure development legislation appears to be on the horizon and smaller, modular legislative efforts are already underway. In April, the Senate passed the bipartisan Drinking Water and Wastewater Infrastructure Act of 2021, which would invest \$35B in water infrastructure if passed into law.²⁰ And as a part of recent COVID relief legislation, Congress approved \$7B of spending on digital infrastructure and \$31B of spending on transportation systems.^{21,22} We expect this spending to translate to greater and additional revenue streams for companies across the U.S. infrastructure development value chain.

Investing involves risk, including the possible loss of principal. Narrowly focused investments typically exhibit higher volatility. Investments in infrastructure-related companies have greater exposure to the potential adverse economic, regulatory, political and other changes affecting such entities. Investment in infrastructure-related companies are subject to various risks including governmental regulations, high interest costs associated with capital construction programs, costs associated with compliance and changes in environmental regulation, economic slowdown and excess capacity, competition from other providers of services and other factors. PAVE is non-diversified.

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¹ Jacobs Engineering, "Transportation," 2021.

² Jacobs Engineering, "Architecture," 2021.

³ Jacobs Engineering, "Power and Utilities," 2021.

⁴ Jacobs Engineering, "Water," 2021.

⁵ Jacobs Engineering, "Built Environment," 2021.



⁶ Factset, Jacobs Engineering GeoRev Data, September 2020.

⁷ Jacobs Engineering Q2 2021 earnings call

⁸ Hubbell, "Markets," 2021.

⁹ Hubbell, "Renewable Energy Product Guide," 2021.

¹⁰ Factset, Hubbell RBICS Data, May 2021.

¹¹ Hubbell, "Data Cable and Fiber Optic Enclosure Solutions," 2021.

¹² Global X ETFs, "What President Biden's \$2T+ American Jobs Plan Could Mean for U.S. Infrastructure," April 1, 2021.

¹³ Factset, Hubbell GeoRev Data, December 2020.

¹⁴ CSIMarket, "Quanta Services Suppliers," accessed June 15, 2021.

¹⁵ Insteel, "Welded Wire Reinforcement," 2021.

¹⁶ Ibid.

¹⁷ Factset, Insteel GeoRev Data, September 2020.

¹⁸ ArcBest, "Rail Freight Shipping: Class I Railroads in America," August 2018.

¹⁹ Union Pacific, "Customers," 2021.

²⁰ Reuters, "U.S. Senate overwhelmingly passes \$35B water infrastructure bill," April 2021.

²¹ Wiley, "Congress Provides Nearly \$7 Billion in New Broadband Funding in the Latest COVID-19 Stimulus Legislation," December 2020.

²² U.S. Department of Transportation, "U.S. Transportation Secretary Pete Buttigieg Announces \$30.5 Billion to Help the Nation's Public Transportation Systems Respond to COVID-19," March 29, 2021.

