Vulcan Materials Company (VMC)

Updated March 5th, 2025, by Nathan Parsh

Key Metrics

Current Price:	$235	**5 Year CAGR Estimate:**	8.0%	**Market Cap:**	$31 B
Fair Value Price:	$227	**5 Year Growth Estimate:**	8.0%	**Ex-Dividend Date:**	03/10/25
% Fair Value:	103%	**5 Year Valuation Multiple Estimate:**	-0.7%	**Dividend Payment Date:**	03/24/25
Dividend Yield:	0.8%	**5 Year Price Target**	$334	**Years Of Dividend Growth:**	12
Dividend Risk Score:	C	**Retirement Suitability Score:**	F	**Rating:**	Hold

Overview & Current Events

Vulcan Materials is a leading producer and distributor of crushed stone. The company has 380 aggregate production facilities across 20 U.S. states as well as the District of Columbia, the Bahamas and Mexico. The company shipped more than 234 million tons of aggregates in 2023. In addition, Vulcan Materials employees more than 12,000 people across 400 facilities. The company has annual revenues of more than $8 billion.

On February 14th, 2025, the company increased its quarterly dividend 6.5% to $0.49.

On February 18th, 2025, Vulcan Materials announced fourth quarter and full year results for the period ending December 31st, 2024. For the quarter, revenue grew 1.1% to $1.85 billion, which was $40 million more than expected. Adjusted earnings-per-share of $2.17 compared favorably to adjusted earnings-per-share of $1.46 in the prior year and was $0.42 ahead of estimates. For the year, revenue decreased 4.7% to $7.4 billion while adjusted earnings-per-share of $7.53 compared to $7.00 in the prior year.

For the quarter, Aggregates gross profit per ton increased 17.6% to $9.02 despite total shipments falling 2.5% to 53.9 million tons. Revenue for the segment improved 4.2% to $1.47 billion. Asphalt gross profit of $46 million was a 29% increase from the prior year. Revenue for this category was higher by 14.2% to $327 million. Concrete revenue decreased 36% to $163.5 million, mostly due to the company's divesture of its operations in Texas last year.

Vulcan Materials is expected to earn $8.41 per share in 2025. This would be an 11.7% increase from the prior year. We have initiated our forecast accordingly.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	$1.72	$3.11	$2.38	$3.87	$4.67	$4.41	$5.04	$5.11	$7.00	$7.53	***$8.41***	***$12.36***
DPS	$0.40	$0.80	$1.00	$1.12	$1.24	$1.36	$1.48	$1.60	$1.72	$1.84	***$1.96***	***$2.50***
Shares[1]	133	132	132	132	132	133	133	134	134	133	***133***	***133***

Vulcan Materials' earnings-per-share have been erratic in the past, but results have mostly been higher over the last decade. The company struggled during the 2007 to 2009 time period and earnings-per-share turned negative at the start of the previous decade. On the plus side, earnings-per-share have a compound annual growth rate of more than 16% since 2015. We believe that this growth rate can largely be attributed to the strength of the overall economy and the resulting demand for products as well as the low starting base. For additional context, earnings-per-share have increased at 11.3% since 2020.

Product prices are very low for much of the company's business. For example, aggregates, which account for more than three-quarters of all revenue, typically sell for approximately $19 to $21 per ton. This does not leave much margin for error for Vulcan Materials if demand were to decline. We reaffirm our earnings-per-share growth rate of 8% annually through 2030 as we feel this takes into account the robust demand for products recently as well as the high base from

[1] Share count in millions

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which EPS begins. We do note that this growth rate could prove to be too conservative given the long- and medium-term growth rates that the company has produced.

Vulcan Materials cut its dividend every year from 2009 to 2012 as the company grappled with the recession's impact on business. The company has so aggressively raised its dividend in recent years that the compound annual growth rate is 7.6% since 2020. We project 5% dividend annual dividend growth through 2030.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	---	35.9	---	30.1	28	28.6	41.4	34.3	32.4	34.2	***27.9***	***27.0***
Avg. Yld.	0.5%	0.7%	0.8%	1.0%	0.9%	1.1%	0.7%	0.9%	0.8%	0.7%	***0.8%***	***0.7%***

Shares have declined $57, or 19.5%, since our November 11th, 2024 report. With unpredictable earnings growth comes an unpredictable valuation. Shares of Vulcan Materials have traded with extremely high valuations over the last decade and that is when earnings-per-share have steadily increased. We reaffirm our target multiple to of 27 times earnings as we feel this considers the unpredictability of the stock, but moves the target valuation closer the stock's long-term average. Using expected earnings-per-share for the year, Vulcan Materials has a price-to-earnings ratio of 27.9. This implies that valuation reversion could be a headwind for total returns. Returning to our target valuation by 2030 would reduce annual returns by 0.7% per year during this time.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	23%	26%	42%	29%	27%	31%	29%	31%	25%	24%	***23%***	***20%***

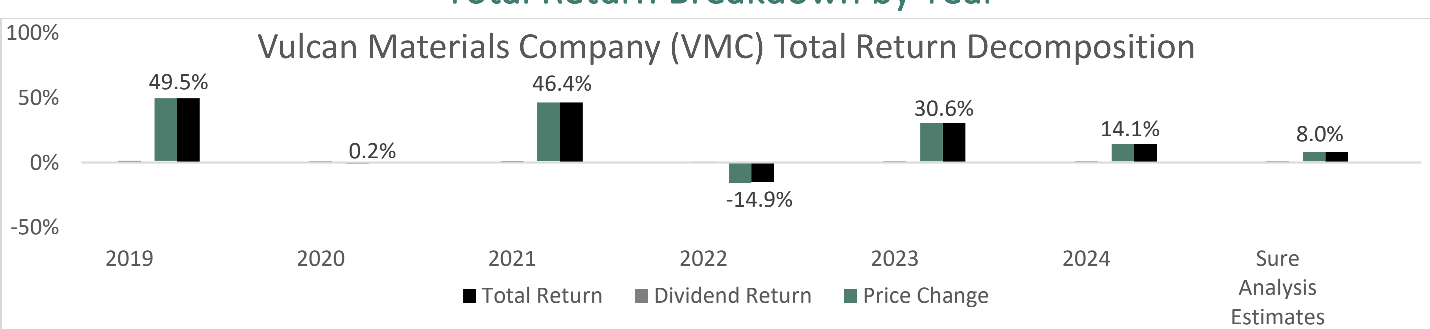
Vulcan Materials' business is highly correlated to the state of the economy. Earnings-per-share declined 63% from 2007 to 2008. The following year, earnings-per-share fell 91%. The company then posted three consecutive years of earnings-per-share losses as it struggled to rebound from the last recession.

Vulcan Materials is one of the larger names in its industry, which gives it some advantages against peers. However, the company is far from immune to downturns in the market. We do find the company's acquisition of U.S. Concrete a positive as this should enhance Vulcan Materials' presence in California, Texas, and the Northeast. This should slightly reduce the company's reliance on the Gulf Coast for much of its revenues.

Final Thoughts & Recommendation

Vulcan Materials is now forecasted to produce an annual return of 8.0% through 2030, up from our prior estimate of 0.1%. Our projected return stems from an 8% earnings growth rate and a starting yield of 0.8% that are partially offset by a small headwind from valuation reversion. Vulcan Materials is a name that can perform extremely well when the economy is growing. On the other hand, the company struggles considerably when a recession takes place. We now view shares of Vulcan Materials as a hold due to projected returns.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	3,422	3,593	3,890	4,383	4,929	4,857	5,552	7,315	7,782	7,418
Gross Profit	858	989	994	1,101	1,256	1,282	1,373	1,558	1,949	2,000
Gross Margin	25.1%	27.5%	25.5%	25.1%	25.5%	26.4%	24.7%	21.3%	25.0%	27.0%
SG&A Exp.	287	317	325	333	371	360	418	515	543	531
Operating Profit	245					397	419	523	542	558
Op. Margin	540	650	621	733	854	892	895	1,009	1,379	1,399
Net Profit	15.8%	18.1%	16.0%	16.7%	17.3%	18.4%	16.1%	13.8%	17.7%	18.9%
Net Margin	221	419	601	516	618	585	671	576	933	912
Free Cash Flow	6.5%	11.7%	15.5%	11.8%	12.5%	12.0%	12.1%	7.9%	12.0%	12.3%
Income Tax	230	294	185	364	600	708	561	536	664	806

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	8,302	8,471	9,505	9,832	10,649	11,687	13,683	14,235	14,546	17,105
Cash & Equivalents	284	259	142	40	272	1,197	235	161	931	560
Acc. Receivable	397	398	434	512	532	513	783	1,045	890	892
Inventories	347	346	384	429	458	449	521	579	616	682
Goodwill & Int.	3,861	3,864	4,186	4,261	4,259	4,296	5,446	5,392	4,992	5,503
Total Liabilities	3,847	3,899	4,536	4,629	5,027	5,660	7,115	7,282	7,038	8,962
Accounts Payable	176	145	197	216	265	273	366	455	390	407
Long-Term Debt	1,980	1,983	2,855	2,912	2,784	3,288	3,880	3,976	3,878	5,307
Total Equity	4,454	4,572	4,969	5,203	5,622	6,027	6,545	6,929	7,483	8,119
LTD/E Ratio	0.44	0.43	0.57	0.56	0.50	0.55	0.59	0.57	0.52	0.65

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	2.7%	5.0%	6.7%	5.3%	6.0%	5.2%	5.3%	4.1%	6.5%	5.8%
Return on Equity	5.1%	9.3%	12.6%	10.1%	11.4%	10.0%	10.7%	8.5%	12.9%	11.7%
ROIC	3.5%	6.5%	8.4%	6.5%	7.5%	6.6%	6.8%	5.4%	8.4%	7.3%
Shares Out.	133	132	132	132	132	133	133	134	134	133
Revenue/Share	25.33	26.46	28.84	32.73	36.95	36.46	41.59	54.75	58.20	55.73
FCF/Share	1.70	2.17	1.37	2.72	4.50	5.32	4.20	4.01	4.97	6.06

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.