

## **Buzzi SpA**

### ***Make Italy Great Again***

We are **long** shares of Buzzi SpA (Milan:BZU), an €8.9 billion market capitalization cement company headquartered in Italy. Buzzi is the best managed cement company in the world. Over the past 30 years, the company has grown EPS at a CAGR of 15%, transforming a sleepy little Italian cement company into a global stalwart generating more than half its EBITDA in the United States. Management works for shareholders and focuses on the long term: twenty years ago, the Buzzi family owned 44% of shares, and today they own 56%, paying themselves zero stock options. Buzzi's profit margins are higher than every other major cement company we could find, and within spitting distance of vaunted aggregates players Martin Marietta (MLM) and Vulcan Materials (VMC), which trade at ~33x and ~35x P/E on 2025E consensus. Buzzi's M&A track record has been stellar, its revenue growth steady, its capex budget savvy, its investor disclosure supple, and its stock compensation expense zero. Yet despite boasting the best operating metrics in cement, by the most aligned management in the industry, Buzzi has been awarded one of the lowest valuation multiples among Western cement players – at 11x P/E – for one, simple reason: racism. Buzzi is Italian. Long-ingrained prejudices against a wine-guzzling people known more for hours-long aperitivos than capital allocation has burdened the best cement company in the world with an offensively putrid valuation. Buzzi shouldn't be trading at the lowest multiple in the global cement comp set. It should be trading at the highest. Make Italy Great Again!

The math is simple. Buzzi generated 40% of its revenue and 52% of its EBITDA in the United States in 2024. The company has doubled its U.S. revenue organically over the past 10 years, and its American assets generate margins consistently above other U.S. players. Yet Buzzi's U.S. peers trade at 12x 2025E EBITDA. In Europe, Heidelberg and Holcim trade at 9x-11x 2025E EBITDA. By contrast, Buzzi trades at just 6.8x 2025E EBITDA, and that excludes €1.2 billion of value from its high-margin Mexican business and other minority-owned assets. If Buzzi was valued in line with its comps, the stock would be worth twice as much.

It's not as if Buzzi is an illiquid small cap; the stock trades more than €50 million per day and the equity is worth €9 billion. The only explanation we've come up with is prejudice. If the company was named Bennett instead of Buzzi and headquartered in Alabama instead of Casale Monferrato, shares would probably double overnight. Non è giusto! That's not fair! European cement players with significant U.S. assets have seen valuations expand over the past year, whether catalyzed by corporate action as in the case of Holcim and Titan, or by growing investor awareness, as with Heidelberg. We believe Buzzi is the next player to benefit, as the company cements its reputation as a top operator in the world's most ubiquitous construction material.

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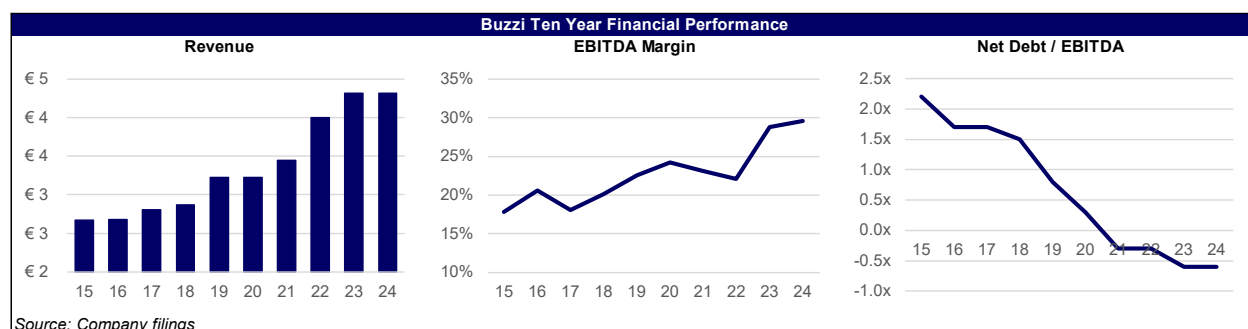
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## I. Investment Highlights

**Buzzi is grossly undervalued.** Buzzi is far too cheap, both relative to comparable companies and based on any reasonable cash flow-based analysis. Half of Buzzi’s EBITDA comes from a structurally superior U.S. business, and the other half comes from EU markets where the company has strong competitive positions. Simply applying U.S. comparable company or recent M&A multiples to Buzzi’s U.S. EBITDA yields well over €8 billion of enterprise value, almost Buzzi’s current market cap. In Europe, as the implications of the EU’s cap-and-trade regime have come into focus – constrained cement supply growth, leading to increased pricing power and improved margins for the cement players with scale – Buzzi’s peers have seen 57% NTM EBITDA multiple expansion. Over the same period, Buzzi’s multiple has expanded just 18%, and the company inexplicably trades at a 36% discount to peers CRH, Holcim, and Heidelberg. Moreover, Buzzi’s asset portfolio contains several underappreciated sources of value. Now fully consolidated, Buzzi’s highly profitable Brazil operation should be valued at minimum in-line with other emerging market peers. And Buzzi’s largest international asset, the company’s 33% stake in Mexico’s Corporacion Moctezuma, is easy to value since it is publicly traded with a €3.5 billion market cap. Our sum-of-the-parts valuation suggests 73% upside from current levels.

**Buzzi is a leading player in an attractive industry.** Across its portfolio, Buzzi is generally a top 5 player in markets that have undergone significant consolidation. The cement industry is more attractive than most other capital-intensive sectors given its high barriers to entry, rational capacity planning practices, and typical local oligopolies that result in decent pricing power and stable margins. Given the lack of substitutes for cement, we are confident that cement makers can pass along the coming costs of decarbonization, and the recent experience in Europe bodes well for the future.

**Buzzi’s management is world-class.** Over decades, the company’s operating and capital allocation practices have produced superior long-term performance while maintaining a conservative financial posture.



The Buzzi family controls 56% of outstanding shares, having maintained this large ownership over decades. Focused on long-term value creation, they pursue M&A and capital investments with the intent to maximize returns over decades as opposed to years. Management has executed a series of accretive and well-timed transactions, including the consolidation of

Dyckerhoff, expansion in the United States, and, most recently, the opportunistic buyout of its Brazilian joint venture in 2024. Buzzi purchased a stake in Corporacion Moctezuma when its profit was less than €3 million; today, it's over €300 million. Just this year, the company made a small but shrewd acquisition in the United Arab Emirates, taking advantage of Gulf Cement's discounted share price to buy a controlling stake in a healthy and attractive emerging market asset.

Operationally, the company consistently achieves industry-leading EBITDA margins through disciplined cost control, continuous modernization of its asset base, and a focus on high-return markets. These outcomes reflect a culture that blends technical expertise with rigorous capital discipline. Management's attention to detail, down to optimizing barge routes along the Mississippi, is the difference between good and industry-best. At the same time, the company has maintained one of the strongest balance sheets in the sector, moving from 2.5x net debt/EBITDA to a net cash position of more than €750 million. And it warrants mention one more time that 2024 stock-based compensation expense was zero. Buzzi management isn't merely good, they're among the best we've invested alongside.

**European cement market structure is becoming increasingly attractive.** Exiting 2023, investor anxiety about decarbonization, weakness in the continent's major economies, and the siren song of a booming U.S. market made investors wary of European cement exposure. Fast forward to today, European cement valuation multiples have seen a stark resurgence. Heidelberg and Vicat shares have almost doubled over the past twelve months. Holcim trades at a materially higher multiple today than before it spun off its U.S. operations. The reason is straightforward: Europe's drive to decarbonize its cement industry has constrained supply growth and is spurring consolidation, yet demand continues to grow because cement has no real substitute. Decarbonization costs are being passed to customers, and European players, especially the larger publicly traded cement companies, are seeing firmer pricing and expanding margins due to the improving market structure.

**Buzzi's attractive international assets are underappreciated.** In addition to its leading positions in the United States and Europe, Buzzi owns a collection of high-quality assets across several attractive emerging markets that provide meaningful diversification and long-term growth potential. In Brazil, Buzzi recently consolidated full ownership of Cimento Nacional, acquiring the remaining 50% stake from its joint venture partner in 2024. The transaction expanded Buzzi's footprint to seven integrated cement plants, two grinding centers, and six terminals with more than seven million tons of capacity. The business operates in a market with favorable structural dynamics — low per-capita cement consumption, robust infrastructure needs, and a growing middle class — and has achieved EBITDA margins in the low 30% range. In Mexico, Buzzi owns a 33% stake in Corporación Moctezuma, a publicly-listed Mexican cement producer with three modern integrated plants and industry-leading margins exceeding 40%. The stake is currently worth €1.2 billion and dates back four decades. Moctezuma operates within a highly consolidated four-player market that has demonstrated rational pricing and consistent profitability. The company's stakes in two Algerian plants provide profitable exposure to a concentrated North African market, while its recent acquisition of a 58% stake in

Gulf Cement in the UAE offers an enviable platform in a region with strong long-term construction demand. Finally, Buzzi owns two highly attractive plants in Russia. While the company has lost managerial control of its Russian operations since the onset of hostilities in Ukraine, a risk that has led most investors to heavily discount its financial contribution, any geopolitical normalization could unlock at least a half billion Euro of value overnight.

**Buzzi benefits from industry tailwinds.** Despite a strong recent run, we believe the cement market will remain healthy. Underlying fundamentals point to a volume recovery in the United States. Undersupply combined with a stronger U.S. residential sector in 2026 given likely interest rate declines will likely support prices. In Europe, 1H 2025 metrics have demonstrated growth in most of its markets, as healthy pricing continues to lift margins as decarbonization regulations stymie capacity additions across the continent. Notably, Buzzi stands to gain disproportionately relative to its peers as the German market (~16% of revenue) finally shows signs of recovery in 2H 2025.

**We see numerous paths to value creation.** We believe Buzzi can generate over €2.2 billion of excess cash through 2030, providing the company significant flexibility to pursue a number of value-enhancing alternatives, including accelerating decarbonization investment when the time is right, issuing a special dividend to appease investor desires for increased capital returns, and pursuing opportunistic asset acquisitions.

<b>Buzzi 2025-2030 Aggregate Excess Cash Flow</b>	
<b>Aggregate 2025-2030 CFO</b>	
Kerrisdale Forecast	€ 6,632
Assuming 20% Haircut	€ 5,306
<b>Uses</b>	
Regular Dividend Payments (1)	€ (612)
Capital Expenditures (2)	€ (2,444)
Total	€ (3,056)
<b>Projected Excess Cash Flow</b>	<b>€ 2,250</b>
<i>(1) Assumes 10% dividend payout ratio</i>	
<i>(2) Assumes 8% of revenue</i>	
<i>Source: Kerrisdale analysis</i>	

## II. Valuation

We're long Buzzi because it's dramatically cheaper than comparable companies that operate the same type of business in the same geographies as Buzzi, despite Buzzi having better assets and being better run than those companies. Much of the remainder of this report will discuss how Buzzi has tier one assets and is well-run. But we begin our argument by laying out just how much cheaper Buzzi is relative to comparable companies.

Buzzi S.p.A. may be run by Pietro and Luigi out of Casale Monferrato outside of Turin in the bucolic Piedmont region of northwestern Italy, but more than half its business is as American as apple pie. Its U.S. assets contributed 52% of EBITDA in 2024. Cement comprised 80% of total U.S. revenue, with the balance derived from aggregates and ready-mix concrete. The company holds more than a 10% market share in the United States, and is a top 5 player in the country. More important than its significant size is the high quality of the U.S. assets. Buzzi's U.S. operations generated an industry-leading 38% EBITDA margin last year, and have posted among the highest margins in the country among cement makers for more than a decade. Its plants are efficiently and effectively run, but a key feature is that they're also in stellar locations. Three of Buzzi's eight U.S. plants have no competitive plants within a one-hundred-mile radius. A fifth of its revenues come from Texas, which boasts a prosperous, diversified and growing economy. Outside of Texas, the company's other markets benefit from low competitive intensity. These remaining operations are largely consolidated in the Midwest and mid-Atlantic, with plants in Missouri, Indiana, Tennessee, Oklahoma, and Pennsylvania, a footprint that by and large is shielded from coastal imports. Buzzi also operates a valuable logistics network consisting of 36 terminals that allow the company to strategically leverage river access centered around the Mississippi to expand its geographic market coverage since barges can economically transport cement more than twice the distance of rail. This allows the company to target numerous sizable metropolitan areas throughout the Northeast, Midwest, and portions of the Southeast.

The appropriate way to value these assets is to look at U.S. focused cement and materials valuations, and apply a premium to those valuation multiples given that Buzzi's operations are higher tier. Below is a set of comparable cement and aggregates companies that operate primarily in the United States.

Buzzi United States Comparable Company Analysis									
(millions)		Market Overview			LTM Financial Profile			2025E Multiples	
Company	Currency	Market Cap.	Net Debt	Ent. Value	1-Year Return	EBITDA Margin	Debt/EBITDA	P/E	EV/EBITDA
Amrize	USD	26,769	6,572	33,341	NA	25%	2.3x	20.0x	11.0x
CRH	USD	78,986	14,722	93,708	30%	20%	2.3x	21.0x	12.3x
Eagle Materials	USD	7,593	1,290	8,883	(18%)	34%	1.8x	16.9x	11.0x
Martin Marietta Materials	USD	37,351	5,584	42,935	10%	33%	2.5x	33.0x	18.6x
Titan America	USD	2,910	323	3,233	NA	20%	1.4x	14.1x	8.3x
Vulcan Materials	USD	38,588	5,164	43,752	15%	30%	2.4x	34.6x	18.0x
<b>Median</b>					<b>13%</b>	<b>27%</b>	<b>2.3x</b>	<b>20.5x</b>	<b>11.7x</b>
<b>Buzzi</b>	<b>EUR</b>	<b>8,863 </b>	<b>(756)</b>	<b>8,107</b>	<b>40%</b>	<b>27%</b>	<b>0.5x</b>	<b>10.6x</b>	<b>6.8x</b>
							<b>Discount</b>	<b>(48%)</b>	<b>(42%)</b>

Source: Company Financials and Market Prices

The median '25E EBITDA multiple is 11.7x and if we were to apply a 20% premium to that multiple owing to the higher quality of Buzzi's assets, we derive a valuation of **14x EBITDA** for Buzzi's U.S. business based on a comparable companies analysis.

It's worth elaborating a bit more on the comparable companies set. We didn't include The Monarch Cement Company and United States Lime & Minerals, because their lack of sellside coverage means they didn't have 2025 EBITDA and earnings estimates. Even if we had, the median multiples would be the same. Martin Marietta and Vulcan are aggregates businesses, instead of cement businesses, but Buzzi's U.S. margins and organic growth profile has been within the range of both MLM and VMC over the past decade, and so it's quite reasonable to include them in the comp set. Nevertheless, the somewhat nosebleed level of their valuation premia doesn't impact our analysis because we're using the median multiple of the comp set, not the average. Titan and Amrize, both newly public companies, are also undervalued in our opinion. Titan's assets are inferior to Buzzi's because they're along the Eastern seaboard, and therefore face greater import competition. Amrize is undervalued, and Buzzi's assets are superior. With respect to CRH and Eagle Materials, we also believe that Buzzi's assets deserve to be valued at a premium to those companies.

Next, we examine U.S. comparable M&A transactions:

Recent Major U.S. Cement M&A Transaction Multiples				
Target	Acquirer	Date	Value (\$B)	EV / EBITDA
Summit Materials	Quikrete	Feb 2025	\$12.2	12.5x
Giant Cement	Heidelberg	Nov 2024	\$0.6	10.0x
Martin Marietta Materials (TX assets)	CRH	Nov 2023	\$2.1	12.4x
Argos North America	Summit Materials	Sep 2023	\$3.2	10.0x
Ash Grove Cement	CRH	Sep 2017	\$3.5	12.0x
			<b>Median</b>	<b>12.0x</b>

*Source: Bloomberg*

As with the comparable companies analysis, we also believe that Buzzi's assets are superior to the assets in all of the above transactions. Applying a 20% premium to the median multiple, we again derive a **14x EBITDA** multiple.

Using our 14x EBITDA multiple, we derive an €8b value for the U.S. assets, which is almost the entire current market-derived enterprise value of the company.

2025E U.S. EBITDA	€ 575
EBITDA Multiple	14x
<b>Valuation of U.S. assets</b>	<b>€ 8,050</b>

## Europe

Next, we turn to valuing the European assets.

Buzzi Europe Comparable Company Analysis										
<i>(millions)</i>										
Company	Currency	Market Overview			LTM Financial Profile			2025E Multiples		
		Market Cap.	Net Debt	Ent. Value	1-Year Return	EBITDA Margin	Debt/ EBITDA	P / E	EV / EBITDA	
CRH	USD	78,986	14,722	93,708	30%	20%	2.3x	21.0x	12.3x	
Heidelberg Materials	EUR	34,055	7,330	41,385	98%	19%	2.0x	15.4x	8.8x	
Holcim	CHF	36,647	5,579	42,226	(18%)	23%	1.5x	20.5x	10.5x	
Titan	EUR	2,918	137	3,055	21%	22%	1.2x	9.9x	5.1x	
Vicat	EUR	2,855	1,382	4,237	85%	17%	2.8x	10.5x	5.5x	
				<b>Median</b>	<b>30%</b>	<b>20%</b>	<b>2.0x</b>	<b>15.4x</b>	<b>8.8x</b>	
<b>Buzzi</b>	<b>EUR</b>	<b>8,863</b>	<b>(756)</b>	<b>8,107</b>	<b>40%</b>	<b>27%</b>	<b>0.5x</b>	<b>10.6x</b>	<b>6.8x</b>	
							<b>Discount</b>	<b>(31%)</b>	<b>(23%)</b>	

Source: Company Financials and Market Prices

European comparable companies trade at a median multiple of 9x '25E EBITDA. The large European producers benefit from rising prices because decarbonization efforts have been constraining supply across the continent and will continue to do so. Buzzi generally operates in countries with more attractive market structures within Europe, and management over time has optimized its footprint in Europe to consolidate around competitive plants in healthy markets. Buzzi operates 21 plants across Italy, Germany, Luxembourg, Netherlands, Poland, Czech Republic, and Slovakia. We use the median EV/EBITDA multiple of the comparable companies set of 8.8x to value Buzzi:

2025E Europe EBITDA	€ 462
EBITDA Multiple	9x
<b>Valuation of Europe assets</b>	<b>€ 4,066</b>

## Other Regions

Attached is our valuation for Buzzi's assets for the other regions:

	2025E EBITDA	EV / EBITDA	Value
<b>Russia</b>	€ 93	4x	€ 370
<b>Brazil</b>	€ 90	8x	€ 702

	% Ownership	Market Valuation	Value
<b>UAE</b>	58%	€ 85	€ 49
<b>Mexico</b>	33%	€ 3,578	€ 1,181

	2024 Subsidiary Earnings	Earnings Multiple	Value
<b>Other Associates</b>	€ 18	12x	€ 210

<b>Total Value of Other Regions</b>	<b>€ 2,512</b>
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We go through each region to value the remaining assets.

**Mexico.** Buzzi owns one third of Corporación Moctezuma, S.A.B. de C.V., which trades under the ticker CMOCTEZ on the Mexican stock exchange, Bolsa Mexicana. CMOCTEZ is currently

worth €3.6b, meaning that Buzzi's stake is worth €1.2b. Interestingly, Buzzi originally entered the Mexican market by purchasing shares of Corporacion Moctezuma in 1981, nearly 45 years ago. Since then, Moctezuma has grown into a €1 billion revenue business that has grown EPS by 30x since its 1988 IPO. Buzzi's partner in Moctezuma, Madrid-based Cementos Molins, has owned its one-third stake since 1988. We mention this history as further evidence of the Buzzi family's talent for long-term value creation... long-term as in 45 years, with EPS growing at a 15%+ CAGR over the past 30 years.

Moctezuma runs three state-of-the-art full cycle cement plants, built in the last 25 years, with production capacity of 8.3m tons/year. The first cement plant is located in Morelos, being the closest to Mexico City, the second one in the Central region of the country (San Luis Potosi), and the most recent one in the State of Veracruz. Corporación Moctezuma also operates in the ready-mix concrete sector with 27 batching plants and 2 aggregates quarries.

**Brazil.** Buzzi has been operating in Brazil since 2018 and fully consolidated the business last year. In part through acquisition, Buzzi has built Brazil into a ~€375 million business with attractive margins. Brazil should benefit from strong underlying demand drivers, and we view such emerging market exposure as value accretive. Given Brazil's growth potential, we reference other emerging market cement companies as the most appropriate comparables. While the EBITDA multiple range is somewhat wide, we view the median 8x as credible given Brazil's generally superior margin profile. Based on our €90 million 2025E EBITDA forecast, we estimate Brazil is worth over €700 million.

Emerging Market Comparable Company Analysis									
(\$ in millions)									
Company	Country	Market Overview			LTM Financial Profile			2025E Multiples	
		Market Cap.	Net Debt	Ent. Value	1-Year Return	EBITDA Margin	Debt/ EBITDA	P/E	EV/ EBITDA
CEMEX	Mexico	13,504	5,756	19,259	59%	15%	2.7x	9.0x	6.3x
Ambuja Cements	India	15,895	(819)	15,076	(3%)	17%	0.1x	44.1x	17.9x
UltraTech Cement	India	40,699	2,424	43,123	8%	18%	1.7x	45.0x	23.5x
Malayan Cement Berhad	Malaysia	2,078	448	2,526	36%	30%	2.0x	16.2x	8.0x
PT Semen Indonesia	Indonesia	1,079	448	1,527	(41%)	12%	2.6x	25.4x	5.0x
Siam Cement	Thailand	7,529	4,260	18,008	2%	7%	8.2x	29.8x	14.4x
Corporación Moctezuma	Mexico	4,145	(374)	3,768	19%	45%	0.0x	12.1x	7.7x
Dangote Cement	Nigeria	7,439	679	8,975	52%	42%	1.6x	14.0x	6.9x
				<b>Median</b>	<b>13%</b>	<b>18%</b>	<b>1.8x</b>	<b>20.8x</b>	<b>7.8x</b>

Source: Company Financials and Market Prices

**United Arab Emirates.** Earlier this year, Buzzi purchased a 58% stake in publicly traded Gulf Cement in the UAE. We bet this will prove to be another savvy early investment by the company, taking advantage of discounted trading levels in an underfollowed cement microcap providing exposure to a region with healthy long-term prospects. Based on current trading levels of Gulf Cement, Buzzi's stake is worth ~€50 million.

**Russia.** Buzzi owns two cement plants in Russia, operated by its SLK Cement subsidiary. Since 2022, the company has ceased all operational involvement in the assets, but still owns the entity and receives P&L reports regarding the subsidiary. By having no operational involvement, Buzzi is not involved in decision-making related to local initiatives and commercial actions. Upon normalization of relations, the company would presumably resume control of the Russian

business, but given the murkiness of the outlook in that, we apply a 4x EBITDA multiple to the Russian business. The assets themselves are attractive – the massive size of the country has resulted in low plant density and thus lower competitive pressures, and Buzzi’s operations have long generated robust EBITDA margins. The plants service the Urals and Western Siberia and its Suchoi Log plant is among the largest in the world. Overall, the Russian business is not a material part of the value in Buzzi, and ultimately comprises less than 3% of our sum of the parts valuation.

**Other Associates.** Buzzi also owns 35% of two cements plants in Algeria, a 25% stake in Alpacem Zement Austria, and a 33% interest in Laterlite SpA, a company that owns several plants in Italy and is focused on the production and sale of a wide range of high-performance lightweight materials for sustainable construction. These associate companies generated €17m of earnings in 2024, and applying a 12x earnings multiple to that, we get €210 of value for these other assets.

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Putting it all together, we get €14.6 billion of total value for Buzzi. Adjusting for cash and debt, that implies an equity value of €15.4 billion, or an implied shared price of €85. Buzzi shares are worth 73% higher than current trading levels.

Buzzi Valuation	
Geography	Value
United States	€ 8,050
Europe	4,066
Russia	370
Brazil	702
Mexico	1,181
UAE	49
Other Associates	210
<b>Total Enterprise Value</b>	<b>€ 14,627</b>
Adjustments	
Plus Cash	€ 1,273
Less Debt	(518)
Less Non-Controlling Interest	(6)
<b>Equity Value</b>	<b>€ 15,376</b>
Shares outstanding	181
<b>Target Price per Share</b>	<b>€ 85</b>
<b>Implied Upside from Current</b>	<b>73%</b>

### III. Company Background

Buzzi Valuation, Summary Financials, and Consensus Estimates								
(€ in millions except per share figures, FYE December)								
Valuation			2021	2022	2023	2024	2025E	2026E
Stock Price	€ 48.96	Revenue	€ 3,446	€ 3,996	€ 4,317	€ 4,313	€ 4,518	€ 4,687
Fully Diluted Shares O/S	181	YoY Growth	7%	16%	8%	0%	5%	4%
Market Capitalization	€ 8,863	EBITDA	€ 795	€ 884	€ 1,243	€ 1,276	€ 1,190	€ 1,259
Cash	1,273	Margin	23%	22%	29%	30%	26%	27%
Debt	518	Net Profit	€ 542	€ 459	€ 967	€ 942	€ 854	€ 891
Enterprise Value	€ 8,107	Margin	16%	11%	22%	22%	19%	19%
		EV / EBITDA	10.2x	9.2x	6.5x	6.4x	6.8x	6.4x
		P / E	16.4x	19.3x	9.2x	9.4x	10.4x	9.9x

Source: Company filings, Kerrisdale analysis

Pietro and Antonio Buzzi founded Fratelli Buzzi Cementi in 1907 in Northern Italy. The company entered the U.S. market in 1979 and subsequently completed two consequential mergers that consolidated its domestic market position and greatly expanded its geographic reach: Unicem in 1999 and Dyckerhoff in 2005 (full control in 2013). Today, Buzzi operates 38 cement plants, 18 aggregates quarries, 363 ready-mix concrete plants, and 50 depots and terminals globally. The company has a track record as a skilled, conservative operator that has prudently invested in the upkeep and modernization of its asset base. Importantly, Buzzi has gained exposure to numerous fast-growing emerging markets. It owns a 33% stake worth €1.2 billion in Mexican cement maker Corporación Moctezuma, which is publicly traded under the ticker CMOCTEZ on the Mexican Bolsa. Late last year, it fully consolidated its operations in Brazil, where it owns 7 plants and 7.2 m/t of capacity, or 16% of its total production capacity. The company also owns a 35% stake in two Algerian plants, 25% stakes in Alpacem cement plants in Austria and Slovenia, and a 58% stake in publicly traded Gulf Cement Company (ADX:GCEM) in the United Arab Emirates.

Buzzi Operational and Financial Overview													
	USA		Central Europe		Eastern Europe			Brazil (3)	Total (4)	JVs and Associates (at 100%)			
	Italy (2)	Germany	Benelux	PL/CZ/SK	Russia	Mexico	ALG			SLO	UAE		
<b>Operating Data</b>													
Cement Plants	8	10	7	2	2	2	7	38	3	2	1	1	
Percent of Capacity (m tons/yr)	23%	23%	16%	3%	6%	11%	16%	43.7	8.3	2.0	1.3	2.4	
Cement / Total Revenue	80%	58%	56%	55%	48%	100%	100%	69%	90%	100%	-	100%	
2024 Capital Expenditures	€ 211	€ 58	€ 77	€ 13	€ 31	€ 69	-	€ 458	€ 85	-	-	-	
Percent of Employees	24%	15%	18%	3%	10%	19%	12%	9,981	1,347	-	-	-	
<b>Financial Contribution</b>													
Percent of 2024 Net Sales	40%	19%	19%	4%	9%	7%	2%	€ 4,282	€ 998	€ 70	€ 158	€ 121	
Percent of 2024 EBITDA	52%	15%	13%	1%	8%	8%	2%	€ 1,273	€ 445	€ 24	€ 45	€ 6	
EBITDA Margin	38%	24%	21%	8%	28%	33%	33%	30%	45%	34%	29%	5%	
Percent of JV / Assoc Earnings. (1)	-	-	-	-	-	-	7%	€ 147	77%	4%	5%	-	
<b>Growth</b>													
YoY Net Sales Growth	(1%)	(0%)	(5%)	(14%)	6%	3%	(5%)	1%	(3%)	10%	4%	4%	
2019-24 EBITDA CAGR	11%	35%	10%	(9%)	7%	11%	34%	12%	12%	(6%)	15%	(10%)	

(1) For 2024; does not add to 100% due to other associates  
(2) Pro forma for disposition of Fanna plant to Wietersdorfer  
(3) Financial contribution since consolidation; growth represents full year results at 100%  
(4) Excludes divested Ukraine assets and eliminations and includes Brazil contribution since consolidation  
Source: Company filings, S&P Capital IQ, and Kerrisdale analysis

Cement accounts for ~70% of Buzzi's revenue, with the company achieving margin-enhancing vertical integration through its remaining aggregates and ready-mix concrete business. The U.S. is Buzzi's largest and most profitable market, accounting for 40% of revenue and 52% of 2024 EBITDA. Driven by strong pricing globally and a dramatic recovery in its Italian operation, the company's financial performance over the past ten years has been exceptional. Revenues have grown at a 6% CAGR since 2014, and, with margins growing from 17% to 30%, EBITDA has grown at a 12% CAGR over the period. Moreover, cash conversion has typically exceeded 85%, driving FCF yields in recent years to the high-single-digits. Buzzi has used that cash to de-lever, reducing net debt / EBITDA from 2.5x to -0.6x, and with net cash of over €750 million now has one of the strongest balance sheets in the construction materials sector. We believe the company's strong financial position will provide substantial strategic optionality and the foundation for increasing capital returns to shareholders in the coming years.

Entities controlled by the Buzzi family hold 56% of outstanding shares, giving Buzzi a free float of approximately €3.9 billion. Buzzi family members have generally spent most of their careers living and breathing cement, pay themselves modestly, and have only assumed senior leadership roles after putting in the requisite time. Four family members currently occupy senior positions, including the Chairman, CEO, and CTO roles, and hold seats on the Board. The Buzzi family has demonstrated no compulsion for empire building, generally seeking portfolio-optimizing, highly synergistic, and easily integrated asset deals in existing geographic markets. Buzzi has skillfully, and patiently, built strong positions in attractive, oligopolistic developed markets while also gaining upside optionality with low-risk exposure to higher growth yet still highly profitable emerging markets. Moreover, far from the promotional styles displayed by both its U.S. and European peers, we believe Buzzi management has a reputation in the investment community for honesty and deep industry expertise. If anything, Buzzi could arguably be faulted for being more effective engineers than marketers of the company's stock.

#### **IV. Cement is a Better Industry Than You Might Think**

Concrete has been a foundational element of human development for several thousand years and, today, remains the second most consumed substance in the world after water. According to the IEA, global cement consumption equates to a half ton per person per year. The primary ingredients of concrete are aggregate materials (sand, gravel, crushed stone) and cement, which is the key binding material that gives concrete its strength and durability. We will review the cement production process later, and it is no doubt dirty and capital-intensive. Perhaps to the uninitiated, cement suffers from a perception of gross commoditization. Yet, the cement business, particularly in its modern form, remains particularly attractive because it has evolved into collections of local oligopolies, and we see its beneficial industry structure as a key driver of pricing power and healthy margins going forward.

### **Not a Pure Commodity**

The patent for Portland cement (so named for the color of stone in Scotland) was issued in 1824, and it has long been the “standard” form of the product. While cement’s composition may sound basic, there is significant science and strict standards behind the end product. The chemical and physical properties of the cement, as well as how it reacts with the other cementitious materials and water, will define the performance and characteristics of the concrete mix. Thus, cement is a value-added material that determines concrete’s usefulness and safety as a construction material. And while the delivered product is generally substantially the same, slight compositional differences may be sought by customers depending on the end use application (ie, highways vs building construction). Also, hundreds of years of evidence suggests that there are effectively no substitutes for cement.

### **High Barriers to Entry (and Capacity Expansion)**

Modern cement plants can cost upwards of \$500 million to \$1 billion to build. Beyond these massive sums, there are many practical constraints on market entry. Plants must be located close to (or ideally coincident with) a long-term, economically attractive supply of quality aggregates. Moreover, plant construction requires a challenging permitting process and is likely to face substantial NIMBY opposition, especially since plants are ideally situated as close as possible to major metropolitan areas. Thus, greenfield timelines can easily stretch beyond five years. Moreover, due to the costs of cycling kiln temperatures up and down, cement plants are targeted to run at close to full utilization, meaning that capacity decisions require comfort with the long-term demand picture and confidence in economical operation at market troughs as opposed to capitalizing on transitory demand peaks.

### **Local Oligopolies Support Pricing and Margins**

Because cement and aggregates are heavy, transportation costs can quickly become prohibitive. Thus, aggregates typically travel less than 150 miles, and cement is generally limited to about twice that distance on land. Transport via barge can extend market reach to about 600-700 miles. Mixed concrete travels much shorter distances, typically less than 50 miles, due to weight and the imperative of using it before it hardens. As a result, the cement and aggregates markets are highly localized and oligopolistic, with typically only a handful of producers serving a given metropolitan market, with incrementally more competitors in coastal markets accessible through river/ocean ports and terminals. The cement industry has undergone significant consolidation over the past twenty years, and in most countries where Buzzi operates, the largest 3-5 competitors hold over 75% market share. Historically, cement companies have shown pricing power, and price remains the major driver of industry profitability.

## V. Buzzi's U.S. Business is a Hidden Gem

Buzzi operates 8 cement plants in the U.S. with a total capacity of over 10m tons/year, representing approximately 10% share and making the company a top five player in arguably the world's most attractive cement market. The U.S. market has long exhibited strong and diverse fundamental demand drivers while retaining an attractive market structure. Last year, Buzzi's U.S. operations generated its highest EBITDA margins (38%) and contributed 52% of total company EBITDA. However, we believe Buzzi's current share price dramatically undervalues the company's U.S. operations.

### Attractive Operational Footprint and Market Structures

Buzzi largely competes against its major European peers Heidelberg and CRH, recent Holcim spin-off Amrize, Cemex, and now Quikrete after its acquisition of Summit Materials. The cement industry is all about location, location, location, and Buzzi has an enviable operational footprint. Three of Buzzi's eight U.S. plants have no competitors within a one hundred mile radius, and the company's plants are all sufficiently far from the coasts to minimize competition from imports. About 20% of U.S. revenues are derived from Texas, where the company has two cement plants and benefits from vertical integration synergies with four aggregates quarries and 67 ready-mix plants in the state. Texas is not only the largest cement market in the country (about 16% of total shipments), but its prosperous and increasingly diversified economy has fueled above-average growth. Outside of Texas, the company's other markets benefit from limited competition. These plants are located in Missouri, Indiana, Tennessee, Oklahoma, and Pennsylvania, and Buzzi also operates a strong logistics network including 36 terminals. These terminals use river access, most notably the Mississippi River, to transport cement via barge to cities throughout the Midwest, Northeast and Southeast.

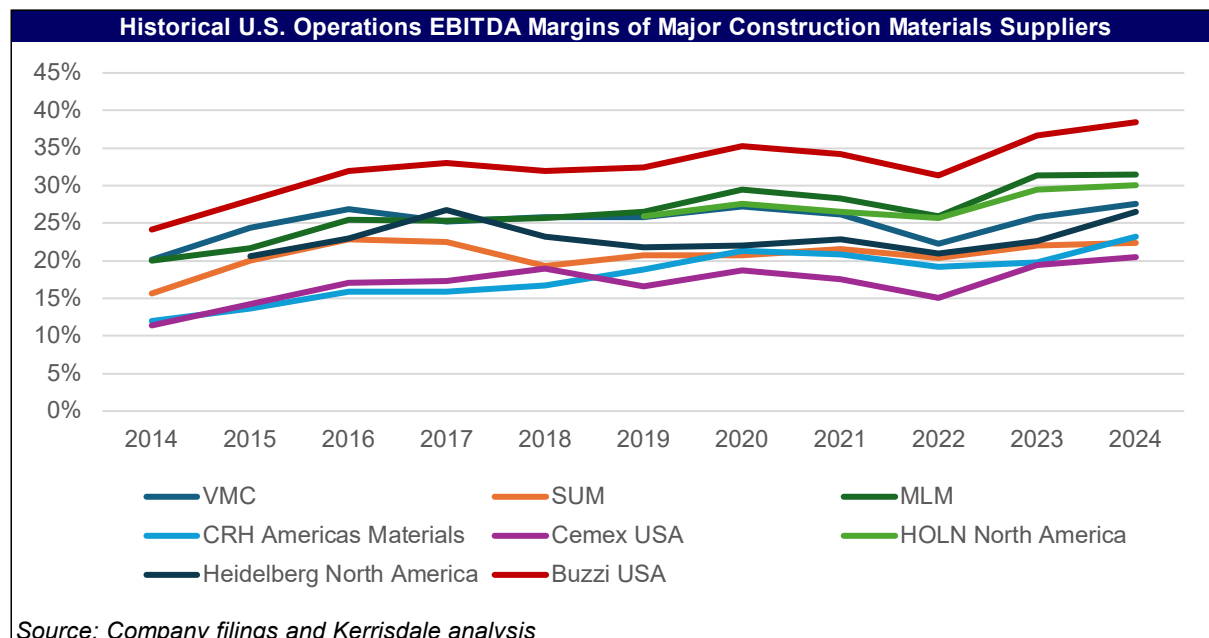
### Imports Are Benign, at Least in the U.S.

Imports as a percentage of U.S. consumption have risen from a recent low of 7% in 2012 to 22% in 2024, with Turkey, Vietnam, Canada, and Mexico being major sources. The import mix has increased because the U.S. has simply grown more capacity constrained. As discussed, cement plants are managed to maintain close to full utilization at "normal" demand levels. Thus, in surging markets like the U.S. over the past several years, imports play a constructive role in meeting peak demand without making permanent capacity additions. In fact, U.S. cement production capacity has remained flat during the industry's growth surge over the past four years and actually declined 8% from its post-financial crisis peak in 2016, indicative of admirable capital discipline among suppliers, plant modernization to enable conversion from Ordinary Portland Cement to Portland Limestone Cement, and the elimination of capacity that became uneconomical under stringent new emissions standards mandated in 2010. Moreover, aggregate U.S. inventories as a percent of end consumption have been hovering at 20-year lows over the past few years. As a result, domestic producers themselves account for about half of import volume to meet existing customer demand. In addition, there are other structural limitations on the import threat. First, the significant transportation costs limit imports to coastal

markets. Second, there is limited terminal capacity in most major ports, and several of the major terminals are operated by the largest domestic players. Third, cement storage capacity is both expensive and limited, meaning that domestic production is advantaged versus imports since customers value rapid turnaround time.

### Buzzi Compares Favorably to Its U.S. Peers

Buzzi’s U.S. EBITDA margins are not just the highest in the company’s portfolio; they have been the highest of any U.S. competitor over the past ten years.



Buzzi’s margin outperformance in the United States comes from several factors. With high exposure to the Texas and Missouri River Valley markets, the company’s regional mix benefits from low competitive intensity, healthy pricing, and generally lower transportation costs. Relative to some peers, Buzzi’s high percentage of revenue from cement as opposed to aggregates or other businesses (such as asphalt or gypsum) also supports margins. Additionally, Buzzi’s plants are among the best in operating efficiency due to modernization, maintenance investment, and high utilization. Finally, we believe Buzzi’s business mix is relatively weighted toward non-residential and commercial construction with long-time local customers as opposed to large infrastructure projects that see more competitive bidding.

## VI. Positive Market Outlook: We See Sustained Pricing Strength

Cement volumes have remained largely flat versus pre-Covid levels. Thus, we take comfort in the fact that Buzzi’s major geographic markets remain comfortably below their 20-year volume peaks. Much of the industry’s impressive revenue growth continues to be driven by healthy price

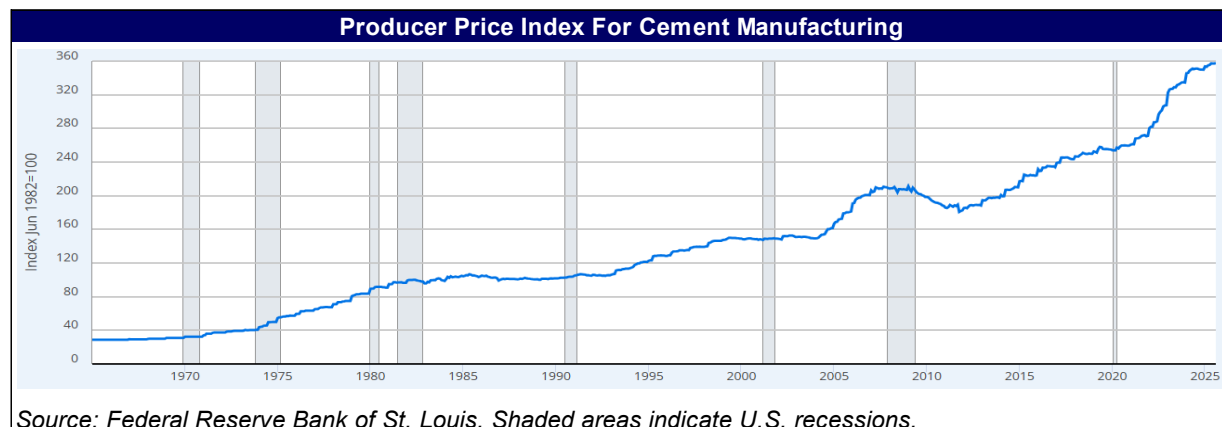
increases. Industry consolidation, government infrastructure stimulus, and industrywide decarbonization efforts will continue to support healthy pricing levels. In the coming years, a lower rate environment and a strong pipeline of non-residential projects, including mega-projects, should support overall construction spending, acting as a tailwind for cement demand.

Country 2024 Cement Consumption vs Peak			
Country	Peak (m tons)	Year	2024/Peak
United States	123	2005	83%
Italy	47	2006	43%
Germany	30	2003	70%
Czech Republic	5	2008	78%
Poland	19	2021	98%
Mexico	46	2024	100%
Brazil	73	2014	89%
<b>Weighted Average</b>			<b>81%</b>

Source: Buzzi

### The U.S. Remains a Beacon of Strength

Some historical context on pricing is constructive. Housing growth, economic expansion, and infrastructure spend have historically driven a strong cement market in the U.S. Shipments have grown at an approximate 3% CAGR over the past ten years, while prices have risen at a near 5% CAGR over the same timeframe. In fact, cement prices have historically shown remarkable resilience, trending upward over much of the past fifty years, punctuated by only modest declines during major recessions. For example, cement prices only fell just 7% in 2010 despite U.S. cement consumption falling almost 45% from its pre-financial crisis peak in 2005.



Even with weaker volume trends during the first half of 2025 due to challenging weather and uneven demand, Buzzi’s U.S. construction materials peers still maintained a positive outlook on domestic pricing trends for 2025 on their recent earnings calls. In recent years, price increases have generally been announced at the beginning of the year and then again at mid-year/early fall and can take as long as six months to be fully realized. The major players announced a new round of mid-to-high-single-digit price increases in early 2025, and management teams were optimistic on the prospects for mid-year price increases. We also believe that continued labor

and construction cost inflation and cement’s minor contribution to overall project budgets will facilitate price support. While price increases are unlikely to reach the mid-teens levels seen in 2023, there is consensus that price increases in the U.S. will reach mid-single to high-single digits, in line with the broader inflation rate and historical norms.

Company	Q2 2025 Earnings Call Commentary
VMC (aggs-focused)	<p>"And this kind of growth in public demand should be a strong catalyst for 2026 pricing because it's so visible."</p> <p>"... I feel good about our momentum in pricing..."</p> <p>" when it came to pricing, we feel really strong in the acquisitions. Both on the East Coast and the West Coast, we got all we had planned in January, and I think we got all we have planned in midyear..."</p>
MLM (aggs-focused)	<p>"...this pricing environment at 7.5% price is well above historical normal levels. We've been saying we think that there is a new normal in pricing."</p> <p>"So I mean, I think what you're seeing is just good solid year over year pricing. So no big surprises there."</p> <p>"And now what you've seen is pricing has trended toward the high end of the guide."</p>
EXP (cement-specific)	<p>"...we believe the high capacity utilization rates across the cement industry should also lead to an improved pricing environment."</p>
CRH (general)	<p>"Regarding the pricing environment, we expect positive momentum to continue across our markets..."</p> <p>"So we feel good about where the pricing is now and certainly in line with what we would have called out earlier in the year around mid- to high single digits in ag pricing."</p>

Source: Company Q2 2025 earnings call transcripts

Why the confidence in sustaining peak prices? Demand will continue to outstrip supply by a wide margin due to stricter regulations and lack of new greenfield capacity coming online, and positive underlying fundamentals exist in each of the primary end markets for cement. Public infrastructure construction is the most cement-intensive end market, accounts for approximately one-half of cement demand on average, and is generally countercyclical. According to the American Road and Transportation Builders Association (ARTBA), public highway and street construction is expected to increase 12% to \$140 billion in 2025. Our review of state Department of Transportation budgets confirms Buzzi stands to benefit from this increased spend. In the company’s largest market, Texas, the state DoT’s total budget over the 2024 and 2025 timeframe is expected to grow 24%, indicative of significant highway infrastructure investment plans. Several other Buzzi target markets are listed as the largest in DoT dollar spend (NY #3, PA #5, VA #6, OH #9) in 2025. In addition, the [value](#) of state and local contract awards related to government transportation projects has grown 10% YoY through August 2025. This is a leading indicator of future construction activity and further supports the improvement of volumes as we head into 2026.

The U.S. commercial market has been a mixed bag, with moderated warehouse starts and weak new office building construction, given low vacancy rates post-Covid and poor flow through from constrained residential construction acting as headwinds. These trends should normalize longer term, but the real growth will come from healthy heavy manufacturing investment driven in part by reshoring. For example, Federal Reserve July 2025 [data](#) shows a seasonally-adjusted annual rate of manufacturing construction spending for 2025 of \$223 billion, which is higher by nearly 2.5x the previous 20-year high in June 2015. Additionally, there is yet another pocket of commercial strength: data center construction. That’s right; Buzzi is, in small

part, an AI play. We believe concrete can account for up to 40% of the structural materials cost, or up to 5% of the total build cost for new data centers. Recently, the American Cement Association [forecasted](#) that data center cement volumes as a percent of total office-related cement consumption will increase from 17.5% in 2024 to 25.7% in 2027 and that forecasted data center construction will require close to one million metric tons of cement over the next three years. Additionally, Goldman Sachs [estimates](#) that U.S. data center power demand will grow from ~220 TWh in 2024 to ~500 TWh in 2030, and concrete will be an integral part of the requisite buildout and fortification of the electric grid.

Residential construction has been the weakest end market, and activity continues to be tepid, as high mortgage rates and rising consumer inflation have conspired to reduce affordability. However, many of the key ingredients for a longer-term recovery in residential are in place. Population growth, increased mobility, aging housing stock, a structural undersupply of housing, and wealth creation from strong equity market returns should eventually power a return to growth in residential. To date in 2025, there has been increasing evidence that multi-family housing has stabilized, as indicated by stronger absorption and moderately improving occupancy and rent growth trends. Since weaker residential demand assumptions underpinned many of the more conservative 2025 cement forecasts, we believe residential outperformance can power upward revisions to 2025 and especially 2026 U.S. demand growth. Coupling this demand recovery with the tight cement capacity situation in the U.S. provides confidence in a healthy pricing environment.

### **We Are Optimistic on European Pricing and a German Demand Recovery**

Demand trends in Europe have ranged from flat to down materially over the past few years depending on the country, largely driven by weak construction trends, but strong pricing performance led to revenue growth throughout the region. Buzzi generally operates in European countries with more attractive market structures. The significant price increases seen in 2023, which reached north of 20% in certain regions, moderated in 2024 and again into 2025 but remain positive, driven by factors such as energy cost inflation and the industry passing along the increased costs of decarbonization efforts to its customers. We anticipate rising input costs and accelerating decarbonization efforts will drive a permanent upward shift in the industry price curve in the coming years. And as European producers experience increasing carbon permit deficits (which will start to widen in 2026) and higher carbon prices relative to production costs, we expect the market's focus on margins over volume – or maximizing value by focusing cement production at only the plants that can generate attractive economics after incorporating decarbonization costs – to only intensify.

In Italy, Buzzi is a dominant player with nearly 25% share in a highly consolidated market. The country's National Recovery and Resilience Plan has been providing over €190 billion of stimulus and the Complementary Plan an additional €30 billion, amounting to about 10% of GDP, and infrastructure markets have been significant beneficiaries. However, the continued weakness in residential and commercial markets, increasing imports, and overall subdued sentiment across the industrial economy have driven nearly flat industry volumes, against which

Buzzi also produced stable volumes on a like-for-like basis. Nonetheless, Italy did still realize positive low-single digit pricing growth. Central Europe has seen a rebound in metrics in the first half of 2025, with cement volumes +4% in Germany and +20% in Benelux. Central Europe has historically been a region with healthy, stable demand, and Buzzi is a top three player. In Germany, we see the prospect of a meaningful improvement in 2026 driven by the government's fiscal expansion and improving business confidence. Buzzi stands to benefit the most from a German recovery given its 16% revenue exposure, the most among its major peers. Buzzi is a smaller player in what has been a healthy Polish market for much of the past ten years, which should see steady growth in 2025 after growing 11% in 2024. Polish cement volumes in 1H 2025 were up 44%. In Russia, management claims insufficient visibility to formulate a firm forecast, but performance has been steady over the past few years. The Russian market has long been tied to the energy sector, making demand more cyclical historically, but the vastness of the country has resulted in low plant density and thus attractive market structures. With 100% exposure to cement in Russia, Buzzi's operations have generated healthy EBITDA margins. Buzzi's Suchoi Log oil-well cement plant is among the world's largest, and there's potential upside from Buzzi's operations there should Russia's relations with the West normalize.

Kerrisdale Regional YoY Price/Volume Forecast Assumptions						
	2025E			2026E		
	Volume	Pricing	Total	Volume	Pricing	Total
Italy	2.5%	1.0%	3.5%	1.5%	2.5%	4.0%
Central Europe	6.2%	(3.8%)	2.4%	2.0%	1.0%	3.0%
Eastern Europe	9.9%	(0.5%)	9.4%	1.0%	3.0%	4.0%
United States	(4.8%)	0.5%	(4.3%)	5.0%	1.0%	6.0%
Brazil	(0.1%)	1.0%	0.9%	2.0%	1.0%	3.0%

*Source: Kerrisdale analysis*

### Emerging Markets Continue to Contribute

Buzzi's Brazil operations, now fully consolidated and representing 8% of total revenue, saw +2% volume growth and flat pricing in 1H 2025, but a 14% depreciation in the Real drove an unfavorable foreign exchange impact. Despite some uneven trends, the Brazil market should grow in 2025, and we see prospects for firmer trends in 2026. In Mexico, similar to the U.S., volumes suffered in 1H due to weather and economic anxiety driven by global trade tensions, and unfavorable foreign exchange impacted reported results here as well. However, the superb profitability of the Mexico operations remained intact, with EBITDA margins exceeding 47%.

## VII. Upside Likely to Traditionally Conservative Forecast

Buzzi's original 2025 recurring EBITDA guidance provided in March called for flat performance YoY compared to 2024's €1.28 billion. However, in its recent August report, management reduced its full year EBITDA outlook to €1.1 to €1.2 billion, or approximately 10% at the midpoint. Despite improving prospects in Europe, the guide down was driven by a persistently

uncertain global economic and geopolitical environment, especially within the United States, and the outlook for continued unfavorable foreign exchange. Volatility seems like the order of the day, so management's caution is understandable. That said, looking back historically, Buzzi management has a reputation for being conservative, particularly as it relates to financial guidance.

Buzzi EBITDA Outperformance vs Management Guidance			
Year	Initial Guidance	Actual	Outperformance
2019	+5-8% in recurring EBITDA	Increased 24%	+16%
2021	Decrease in recurring EBITDA	Increased 1%	>1%
2022	10% decrease in recurring EBITDA	Increased 12%	+25%
2023	Recurring EBITDA stable with 2022	Increased 41%	+41%
2024	Recurring EBITDA stable with 2023	Increased 2%	+2%

*Source: Company presentations and Kerrisdale analysis*

Buzzi consensus EBITDA growth and margin expansion for 2025 and 2026 is below that of its peer group. Recognizing there are differences in product and geographic mix, Buzzi's negative variance to the broad industry median suggests that management's conservatism has created a downward bias on Street forecasts.

Buzzi Consensus Forecast vs Peers						
Company	Revenue Growth		EBITDA Growth		Ppt. EBITDA Margin Change	
	2025E	2026E	2025E	2026E	2025E	2026E
<b>Europe</b>						
CRH	7%	6%	13%	9%	1.2%	0.5%
Heidelberg Materials	3%	5%	20%	7%	3.0%	0.6%
Holcim	(39%)	2%	(33%)	4%	2.4%	0.4%
Titan	(0%)	6%	8%	6%	1.7%	0.1%
Vicat	(2%)	3%	18%	5%	3.4%	0.4%
<b>Median</b>	<b>(0%)</b>	<b>5%</b>	<b>13%</b>	<b>6%</b>	<b>2.4%</b>	<b>0.4%</b>
<b>United States</b>						
Amrize	0%	5%	0%	8%	0.1%	0.6%
CRH	7%	6%	13%	9%	1.2%	0.5%
Eagle Materials	2%	3%	4%	4%	0.8%	0.4%
Martin Marietta Materials	7%	8%	12%	11%	1.5%	0.8%
Titan America	3%	8%	17%	11%	2.7%	0.7%
Vulcan Materials	9%	7%	19%	10%	2.5%	0.9%
<b>Median</b>	<b>5%</b>	<b>7%</b>	<b>13%</b>	<b>10%</b>	<b>1.3%</b>	<b>0.6%</b>
<b>Overall Median</b>	<b>3%</b>	<b>6%</b>	<b>13%</b>	<b>8%</b>	<b>1.7%</b>	<b>0.5%</b>
<b>Buzzi</b>	<b>5%</b>	<b>4%</b>	<b>(3%)</b>	<b>5%</b>	<b>(2.2%)</b>	<b>0.4%</b>
<b>Versus Overall Median</b>	<b>2%</b>	<b>(2%)</b>	<b>(17%)</b>	<b>(2%)</b>	<b>(3.9%)</b>	<b>(0.1%)</b>

*Source: S&P Capital IQ*

We model revenue and EBITDA slightly above the company's guidance range for 2025 and moderately above consensus for 2026, driven by improving growth in the U.S from lower interest rates, easier comps, and the continued funding support from federal stimulus bills. In the U.S., our top line growth forecast assumes mid-single digit volume gains and modest

continued price increase as well as margin expansion due to normalizing costs. Going forward, Europe has seen some green shoots regarding a construction recovery, and broader sentiment indicators have also been improving in recent months. Europe will also see carbon costs increase in 2026, as free allowances start to be phased out. This will increase operating costs for producers, requiring them to raise prices, and result in uneconomical capacity being taken offline, all of which should bolster Buzzi margins. As noted by the company, the recent challenges around fuel and energy costs have started to stabilize, further supporting margins.

## VIII. European Decarbonization Will Lead to Pricing Power and a More Attractive Market Structure

### Brief Background on Cement Decarbonization

The cement production process is dirty and thus a primary focus of climate action. The industry accounts for approximately 8% of global CO<sub>2</sub> emissions and, if it were a country, would rank as the third highest polluter after China and the U.S. About two-thirds of CO<sub>2</sub> emissions from cement production are derived from the chemical reaction (calcination) central to clinker production (an intermediate product) and thus largely unavoidable: limestone (CaCO<sub>3</sub>) is heated to 1,450C degrees to produce calcium oxides (CaO) and carbon (CO<sub>2</sub>). The remaining emissions are related to the energy required to heat the kilns and other power requirements for grinding, mixing, and other stages of the production process. Finally, there are sizeable emissions related to the transportation of both inputs and the finished product.

The U.S. Department of Energy estimates that roughly one-third of cement emissions can be addressed using existing processes and technologies (such as clinker substitution, kiln upgrades, energy efficiency, and alternative fuels), but the industry will require significant technological innovation to address the process emissions fundamental to production. Carbon capture and underground storage (CCUS) is one large-scale solution to reduce CO<sub>2</sub> emissions, but CCUS will involve high upfront capital costs to implement and high energy costs to operate. CCUS currently doubles the cost of cement, and the DoE estimates that CCUS could add \$25-55 of cost per metric ton of cement produced longer term (relative to a current average price of \$130). For these reasons, governments are providing significant financial incentives to drive CCUS research and implementations, and the U.S Inflation Reduction Act included \$85 per metric ton of tax credits. More fundamentally, there are practical concerns about the CCUS roadmap. The technology remains in prototype. Less than 5% of cement-sector CCUS projects are under construction today, with the most still in planning / pilot / FID stage. There are at least five main technologies being evaluated for CCUS that target both pre- and post-combustion stages and remain at varying stages of development, including amine scrubbing, calcium looping, membrane, oxy-fuel combustion, and solid sorbents. While an in-depth evaluation of the alternative approaches is beyond the scope of this report, the obvious conclusion is that the CCUS roadmap is unsettled. And beyond the direct costs involved, each will require costly infrastructure solutions related to carbon transport, storage, and utilization.

In order to help drive private sector climate investment, the EU established a cap-and-trade Emissions Trading System (ETS) in 2005. From 2021, plants were granted free allowances based on historical production levels, and those allowances will be gradually phased out from 2026 to 2034, beyond which companies will be required to pay for 100% of their CO<sub>2</sub> emissions. Thus, over the next ten years, companies are faced with managing the balance between massive and potentially risky capital investments and increasingly large carbon permit costs for unaddressed deficits.

### **Buzzi's Progress on Decarbonization**

To date, Buzzi has reduced its CO<sub>2</sub> emissions by 25% from 1990 levels and under the ETS is planning to achieve an additional 10-15% reduction, from approximately 550 to under 500 kg/ton of cementitious material, by the 2030 deadline and net neutrality by 2050. Yet, a key topic of debate surrounding Buzzi's stock is whether the company has done enough to invest in decarbonization efforts at its European plants. As free allowances begin to phase out in 2026, companies that haven't reduced CO<sub>2</sub> per ton produced will theoretically need to purchase carbon credits in the open market, which will result in either increased production costs or curtailed output. The reality is that the modeling surrounding these investments and their returns in future years is highly complex, and we're skeptical that any critics of Buzzi's strategy have developed reliable forecasts to support their conclusions. Rather, it seems some critics simplistically equate declining headline capital expenditure numbers with being poorly positioned for Phase 2 of the ETS regime, a conclusion we disagree with.

Our view is different. We would argue that the two most important factors that will determine success navigating the decarbonization roadmap will be scale and quality of management. Buzzi benefits on both those fronts. Scale confers significant advantages in European decarbonization, because producers can buy, sell, or transfer allowances between facilities (including across borders) at the company level. This will allow companies with dozens of plants across Europe, like Buzzi, to efficiently allocate capital across plants to best position their portfolio for future phases of the ETS program. Furthermore, greater access to capital for decarbonization investments will benefit larger producers over smaller operators. Over the long-term, this will translate to ongoing consolidation within the European cement sector. And as the market becomes more oligopolistic, larger players will benefit from pricing power. In terms of the exact timing of investments, we prefer to leave those decisions up to the Buzzi family given their 56% ownership, strong technical expertise, and long-term orientation around capital investments. Rather than being pressured to accelerate decarbonization efforts to simply appease ESG funds or certain market analysts, the Buzzi family is likely intimately aware of the expected returns on these investments, and the CEO's commentary over the past few years has reassured us that the company's measured, conservative approach to investments has been the appropriate path.

All signs to date indicate that Buzzi has intricately planned their "journey to net zero". In June 2022, the company [presented](#) to investors a detailed roadmap outlining their plan to navigate the ETS regime. The company's roadmap to carbon neutrality has been independently verified

by the Science Based Targets Initiative (SBTi, a credible global entity assessing corporate roadmaps), and the company recently received a “B” grade from the Carbon Disclosure Project. In its 2024 annual report, the company disclosed 100+ projects focused on lowering clinker content, increasing the use of clinker substitutes, increasing use of alternative fuels, reducing fossil fuels, or otherwise reducing CO<sub>2</sub> emissions. We doubt anyone outside of management can credibly assess the adequacy of these 100+ projects relative to the initiatives being pursued by peers.

With respect to CCUS, its development will be extremely expensive and risky, with per plant implementation costs in the hundreds of millions of Euros. Thus, it is a rational strategy to allow other firms, some under more pressure from ESG-focused stakeholders, to assume this risk burden. Buzzi has announced a handful of CCUS research collaborations to stay close to its development, and management can more aggressively ramp CCUS after it has been substantially de-risked. Notably, plant locations have a major impact on the feasibility and relative near-term priority of different decarbonization approaches. For example, it is reasonable that Heidelberg has been the most aggressive in trialing CCUS at its Brevik plant in Norway since its close proximity to North Sea gas fields provides an easier solution to the storage challenge.

As of today, differing levels of carbon intensity have had no material business impacts. We also believe that Buzzi will benefit from its history of investment in its asset base. Many of the company’s largest plants have modernized, allowing the company to avoid the prospect of making uneconomical investments in lower quality plants just to maintain current capacity levels. The company discloses its purchase of emissions rights annually, and its spend has declined from €40m+ in 2021 and 2022 to zero last year.

Finally, we acknowledge that specifics around the development of a new market for “clean” cement is highly uncertain. Some analysts have predicted that CCUS early movers will be able to dominate the nascent market and charge premium prices. Perhaps, but that argument ignores that (1) the highly localized nature of cement markets limits the ability of a net zero facility to capture “new” business, and (2) the total volumes will be very small given the massive costs involved. Ultimately, although we acknowledge that carbon costs will be material, many analyses we have seen are plagued by (1) a lack of clarity on the progression of industry emission reductions after 2030 (since most detailed plans only get to 2030), and (2) cost estimates that are heavily reliant on projected carbon trading prices, which currently range from €70 to €150 or more per ton, leading to drastically different model outcomes. In short, all cement players in the EU are faced with the prospect of either massive capital expenditures or massive carbon costs, meaning our highest confidence prediction is that all cement producers will be raising prices to cover these financial burdens.

### **Real Positives to Come From EU Decarbonization**

We predict the European cement industry’s decarbonization will only bolster the bull case for large players like Buzzi.

- Ability to pass costs along to customers. There are limited substitutes for cement as a construction material (and any new formulation would require years of testing to ensure safety), so demand is structurally stable and prices relatively inelastic. There are no easy technology fixes to decarbonize cement production, and the constraints of high transport costs mean decarbonization leadership at a single facility does not change the supply balance outside a narrow regional market. Thus, we expect European cement producers will continue to be able to achieve cost recovery through higher prices.
- Capacity rationalization. Given the high costs of achieving decarbonization, it will be uneconomical for producers to focus capital spending on older, lower quality assets. We expect as much as 25% of cement capacity will be shut down in the coming years, which will only enhance already oligopolistic market structures, enable higher utilization rates at existing plants, and dampen the import threat.
- Potential reduction of import threat. In 2023, the EU enacted the Carbon Border Adjustment Mechanism (CBAM) to impose fees on imports based on emissions incurred. The CBAM transitional phase will last through 2026, after which the definitive regime will be implemented. Given that low-cost imports have historically posed more of a threat to Buzzi's European, and in particular Italian, markets and that producers in leading export countries may find decarbonization investments more challenging, we believe the CBAM will support Buzzi's market position and pricing.
- Decarbonization experience will help EU players like Buzzi in the U.S. market. The climate action imperative in the U.S. pales in comparison to that in the EU, but the progression toward decarbonization and the associated massive costs may gain steam over time. We believe Buzzi and their EU-based peers will be advantaged by their ability to extend their hard-earned decarbonization expertise and experience to their U.S. operations.

Sellside analysts are increasingly recognizing the prospects for improved market structure in Europe and how it will translate to strong margins over time.

*“Market structure has improved in Europe, with increased supply/demand tightness as the industry has closed in on its CO<sub>2</sub> allowances... This has seen pricing become more resilient, more closely reflecting the marginal cost of production including CO<sub>2</sub> costs.... Importantly, this has resulted in more resilient profit for the industry currently, as companies receive allowances based on historical production, but see prices more closely reflecting the marginal cost of production.”*

- Goldman Sachs, September 4, 2025

## IX. Buzzi Has Numerous Paths to Value Creation

Buzzi's industry leading balance sheet provides it the strategic flexibility to pursue a variety of shareholder-friendly actions to accelerate value creation. Based on our projected cash from operations from 2025 through 2030 (less a generic 20% haircut) and subtracting regular

dividends and capital expenditures, we believe Buzzi will generate over €2.2 billion in excess cash, which is 26% of today's market capitalization.

<b>Buzzi 2025-2030 Aggregate Excess Cash Flow</b>		
<b>Aggregate 2025-2030 CFO</b>		
Kerrisdale Forecast	€	6,632
Assuming 20% Haircut	€	5,306
<b>Uses</b>		
Regular Dividend Payments (1)	€	(612)
Capital Expenditures (2)	€	(2,444)
Total	€	(3,056)
<b>Projected Excess Cash Flow</b>	<b>€</b>	<b>2,250</b>
<i>(1) Assumes 10% dividend payout ratio</i>		
<i>(2) Assumes 8% of revenue</i>		
<i>Source: Kerrisdale analysis</i>		

### Accelerate Decarbonization Investments

Buzzi's current decarbonization roadmap is both on target and appropriately conservative. The company also has the resources and flexibility to do more when the time is right. Buzzi has a history of disciplined capital investment, giving us confidence that management will ramp its decarbonization expenditures thoughtfully when the risk/reward is attractive.

### Increase Return of Capital to Shareholders

Given the company's modest float and ADTV relative to peers, sizable share repurchases are not the most productive path towards gaining new institutional ownership. However, the company's dividend policy is overly conservative. There is a significant discrepancy between European and U.S. payouts, but there is a clear opportunity for Buzzi to close the gap versus its peers.

<b>Dividend Metrics Comparison</b>		
	<b>Dividend Yield</b>	<b>Payout Ratio</b>
European Leaders (CRH, HEI, HOLN)	2.5%	23.9%
U.S. Leaders (EXP, MLM, VMC)	0.5%	17.2%
<b>Overall Average</b>	<b>1.5%</b>	<b>20.5%</b>
<b>Buzzi</b>	<b>1.4%</b>	<b>14.0%</b>
<i>Source: S&amp;P Capital IQ</i>		

### Pursue Strategic Joint Ventures

Buzzi acquired a 50% stake in BCPAR in a joint venture with Grupo Ricardo Brennand in September 2018. The JV's subsidiary, Nacional Cimentos Participações SA, subsequently acquired assets from CRH in 2020. The revised JV agreement included a put-call provision that provided Grupo Ricardo Brennand the option to put its 50% stake to Buzzi in the first half of calendar years 2024, 2025, and 2026 based on a pre-determined valuation equation driven off

the entity's financial performance. In October 2024, this put was exercised and Buzzi acquired the remaining 50% of the joint venture to obtain full control.

Brazil Summary Historical Financials (at 100%)							
	2018	2019	2020	2021	2022	2023	2024
Net Sales	€ 133	€ 135	€ 139	€ 253	€ 400	€ 394	€ 374
YoY Growth		1%	3%	82%	58%	(2%)	(5%)
EBITDA	€ 32	€ 23	€ 48	€ 81	€ 119	€ 89	€ 100
Margin	24%	17%	35%	32%	30%	23%	27%

Source: Company filings

Buzzi's Brazil transaction is indicative of the type of opportunistic deals we like to see. Management cut the deal at a time of macroeconomic and currency weakness, but the Brazilian market has sound long-term fundamentals driven by population growth, federal infrastructure investments, low cement consumption per capita, and an attractive economic outlook. The business is 100% exposed to cement and has shown the ability to achieve low-30s EBITDA margins. Buzzi management expects the Brazilian business to remain strong, and we believe the full consolidation of this emerging markets exposure should add a beneficial growth element to the Buzzi story.

We view Buzzi's Mexico JV as another hidden gem. Acquired in 1981, Buzzi's 33% stake in Corporación Moctezuma (the other major owner is Spain's Cementos Molins) provides access to one of the world's best cement markets. The Mexican market is highly consolidated, with four players holding over 90% share, and has shown stable demand growth. Corporación Moctezuma has consistently generated EBITDA margins north of 40%, and Buzzi's stake contributed to over 75% of its total JV pre-tax equity earnings in 2024, which in total equated to about 15% of Buzzi EBIT.

Mexico Summary Historical Financials (at 100%)							
	2018	2019	2020	2021	2022	2023	2024
Net Sales	€ 625	€ 593	€ 574	€ 662	€ 769	€ 1,025	€ 998
YoY Growth		(5%)	(3%)	15%	16%	33%	(3%)
EBITDA	€ 289	€ 252	€ 265	€ 283	€ 306	€ 466	€ 445
Margin	46%	43%	46%	43%	40%	45%	45%

Source: Company filings

It is unclear whether an increase in Buzzi's stake is possible currently, but we believe that increased exposure to the highly attractive Mexican market could be an accretive use of the company's balance sheet.

### Selective Asset Transactions

As stated, decarbonization is going to pressure smaller operators, which may create opportunities for Buzzi to pursue portfolio optimizing asset transactions. Generally, management

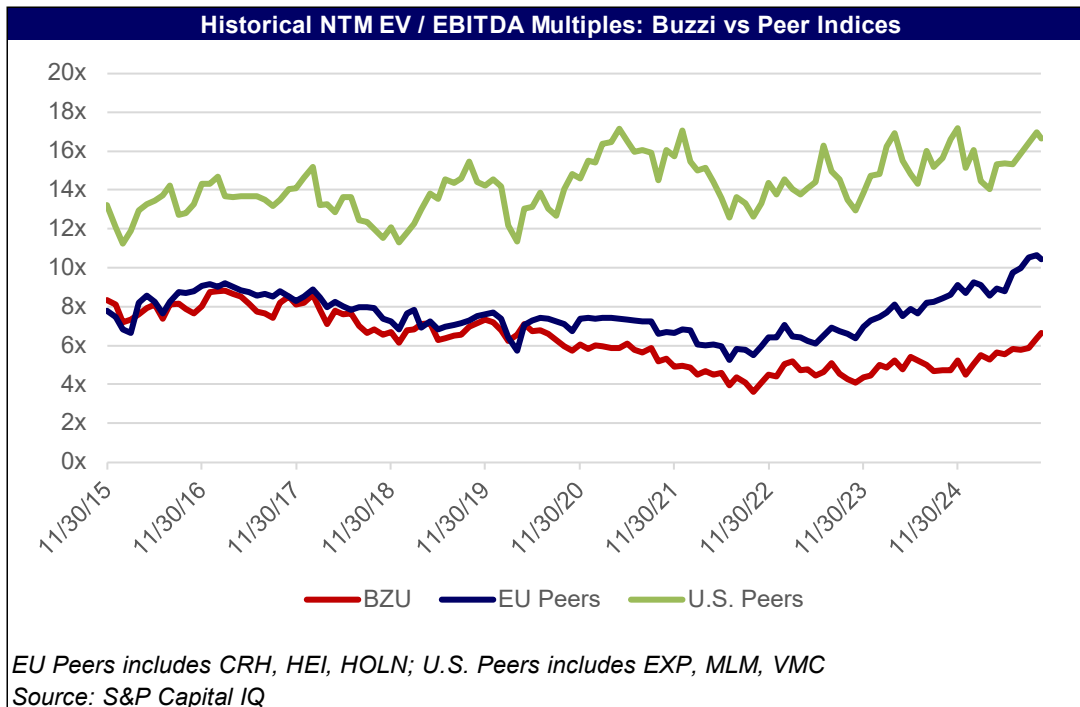
has pursued deals that complement existing operations, which minimizes potential execution risks and enhances the prospect of synergy realization.

### **Market Has Been Recognizing the Value in U.S. Cement Assets**

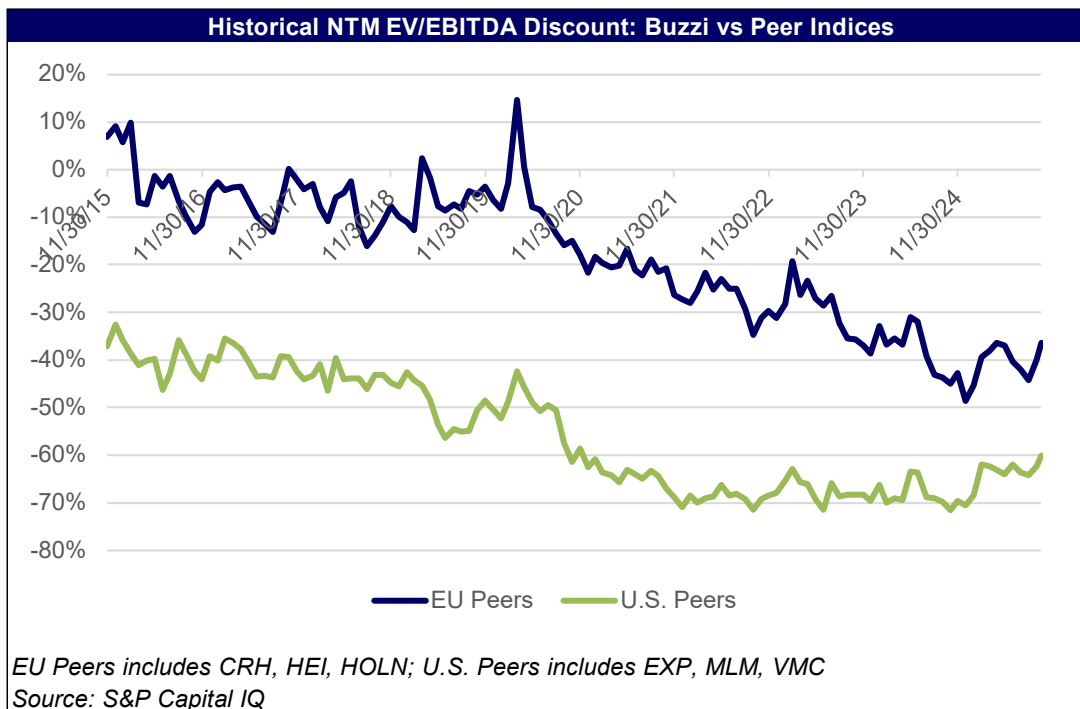
In response to persistent regional valuation discrepancies, European building materials players have recently pursued a variety of alternatives to unlock value with respect to their U.S. assets. CRH completed its U.S. listing in September 2023, and Holcim spun off its North American operations, renamed Amrize, in June 2025. Greek cement company Titan S.A. also spun off its American assets via Titan International, which now trades on the NYSE. These actions were catalyzed by mindshare, liquidity, and valuation issues similar to those faced by Buzzi. We recognize that such a transformative transaction may not be in the cards for Buzzi given the realities of family ownership. That said, we believe it is likely that these strategic transactions will bring positive attention to the Europe-U.S. valuation disparity and further highlight companies with attractive U.S. cement operations, which should drive multiple expansion for Buzzi. Shares in Heidelberg have nearly doubled over the past year, and we believe similar upside exists for Buzzi as more market participants become aware of the strength of the company's U.S. business.

### **X. Buzzi Shares Represent Deep Value**

Almost any way you look at Buzzi's valuation, its shares are dramatically undervalued. Given capital structure differences, we focus on EBITDA multiples, but the undervaluation remains the same regardless of reference point. Over the past ten years, Buzzi has grown revenue, EBITDA, and net profit by 72%, 202%, and 707%, respectively, solidified its position in the attractive U.S. market, executed a dramatic turnaround of its Italian business, closed thoughtful strategic transactions, increased capital returns, and de-levered its balance sheet. Despite all this, the company's NTM EV / EBITDA multiple has de-rated -19%.



Even more striking, Buzzi's NTM EV / EBITDA multiple discount to both its EU and U.S. peers has increased materially over that period, which is all the more notable since peer multiples today generally rest at their 10-year average as opposed to some transitory peak.



## Sum-of-the-Parts Suggests Massive Upside

Earlier in the report, we laid out our sum-of-the-parts analysis. We re-post it below.

Buzzi Sum-of-the-Parts Valuation Analysis				
Geography	Assumptions			Value
	2025E EBITDA	EV / EBITDA	% Owned	
United States	€ 575	14.0x	100%	€ 8,050
Europe	€ 462	8.8x	100%	€ 4,066
Russia	€ 93	4.0x	100%	€ 370
Brazil	€ 90	7.8x	100%	€ 702
UAE			58%	€ 49
Mexico JV			33%	€ 1,181
Associates			Various	€ 210
<b>Enterprise Value</b>				<b>€ 14,627</b>
<u>Adjustments</u>				
Plus Cash				€ 1,273
Less Debt				€ (518)
Less Non-Controlling Interest				€ (6)
Equity Value				€ 15,377
Shares Outstanding				181
<b>Target Price per Share</b>				<b>€ 85</b>
<b>Implied Upside From Current</b>				<b>73%</b>

## XI. Conclusion

The company's U.S. business alone covers today's enterprise value. Buzzi's eight U.S. cement plants, with their 10% national market share and 38% EBITDA margins, represent a franchise every competitor would envy. Its logistics network along the Mississippi River effectively doubles its addressable market. If valued in line with domestic peers, the U.S. segment alone is worth nearly the entire company. Investors get the rest of the world for free.

The European and international assets comprise a carefully built portfolio that should trade at least in line with global players. In Europe, as carbon allowances phase out and smaller competitors struggle to invest, the market structure will become even more oligopolistic. Buzzi's scale, balance sheet, and decarbonization roadmap ensure that the company will emerge stronger and more profitable through the transition. Market analysts have come around to this view, and European cement makers have seen multiples expand dramatically over the past year. Outside the West, Buzzi owns a set of hidden gems. From its 33% stake in Mexico's Corporación Moctezuma to its newly consolidated Brazilian operations and smaller holdings in Algeria and the UAE, Buzzi's international assets represent high-quality, long-duration exposure to fast-growing markets. These assets deliver strong margins, demographic tailwinds, and strategic optionality.

The Buzzi family's 56% ownership ensures a rare combination of accountability and patience. They think in generations, not quarters. Their operational track record and consistent capital discipline have produced one of the best long-term track records in global building materials.

With over €750 million of net cash and consistently high free cash conversion, Buzzi can pursue growth or return capital without compromising flexibility. Over the next five years, we estimate the company can generate more than €2 billion of excess cash, providing room for increased dividends, targeted acquisitions, or accelerated decarbonization investments — whichever option maximizes shareholder value. The numbers at Buzzi are indisputable: higher margins, higher returns, lower leverage, and a decades-long record of compounding intrinsic value. Buzzi shares are worth nearly double their current price, and through market recognition and continued execution, the valuation gap will close.

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