

U.S. Infrastructure: The Next Multi-Year Investment Cycle



Public funding, AI infrastructure, grid modernization, and reshoring are reshaping the long-term investment opportunity across U.S. infrastructure

Executive Summary

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The Next Multi-Decade Investment Cycle

- The United States is entering a multi-year infrastructure reinvestment cycle driven by decades of underinvestment, ageing public assets, electrification, AI-driven data center demand and industrial reshoring.
- Unlike prior cycles that were centered around a single asset class, this cycle spans transportation, energy grids, water systems, digital and manufacturing-linked infrastructure.
- The scale of the deficit is a generational imbalance between what was built and what is now required, making this one of the most structurally compelling long-term investment backdrops.

02

Policy, AI Capex and Electrification are Converging

- Federal programs such as the IIJA, IRA and CHIPS Act are unlocking public funding across transportation, clean energy, broadband, water systems and domestic manufacturing.
- At the same time, hyperscale capex is accelerating demand for data centers, power procurement, cooling systems, grid connections, fiber networks and digital infrastructure.
- Rising electricity demand from AI workloads, EVs, reshoring, and industrial electrification is making grid modernization a central pillar of the infrastructure cycle.

03

Risks and Challenges in Execution

- Material inflation, skilled labor shortages, permitting delays and supply-chain bottlenecks remain key near-term constraints to project deployment.
- Grid interconnection queues, transmission delays and contractor capacity limitations could slow the pace of energy and data-center infrastructure buildout.
- Fiscal constraints, policy uncertainty and higher financing costs may increase reliance on private capital and public-private partnerships.

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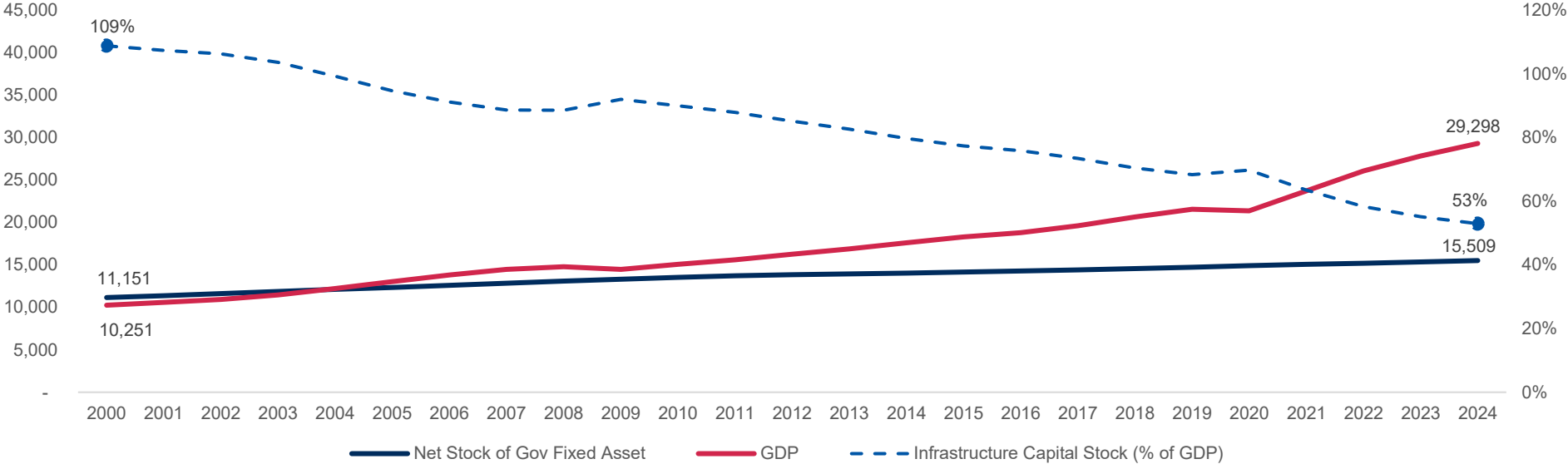
Investment Opportunities are Broadening

- Infrastructure investing now spans across utilities, grid equipment, EPC, data centers, electrical equipment, and water infrastructure offering distinct return profiles.
- The convergence of grid modernization, rising electricity demand and expanding digital infrastructure investments is creating a long-term growth opportunity.
- Aging assets, regulatory requirements, climate resilience initiatives are driving new capex in water infrastructure.
- Federal funding and manufacturing reshoring are supporting strong EPC project pipelines and long-term order visibility

The Infrastructure Gap Is Widening as Public Assets Lag GDP Growth

- The U.S. economy has expanded significantly faster than its public infrastructure base, creating a widening gap between economic activity and the fixed assets required to support transportation, energy, water, and digital networks.
- Net government fixed assets have materially lagged GDP growth, with infrastructure capital stock declining from ~109% of GDP in 2000 to ~53% in 2024, highlighting the need for large-scale reinvestment.
- This gap is now colliding with new infrastructure demand from AI/data centers, electrification, reshoring, climate resilience, and ageing asset replacement, creating a multi-year public and private capex runway.

GDP Vs Net Stock of Govt Fixed Asset (USD Bn)

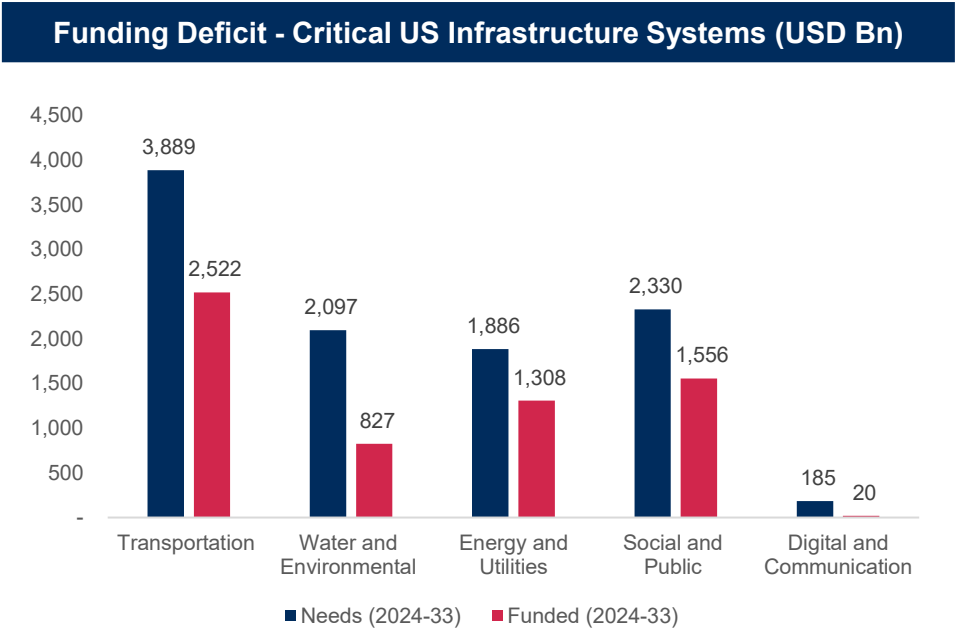


Source: Bureau of Economic Analysis (BEA)

Decades of Underinvestment Have Created a Large Infrastructure Deficit

- The 2025 ASCE Infrastructure Report Card upgraded the U.S. overall grade to C, the highest since 1998, supported by federal investment under the IIJA.
- Despite recent progress, the U.S. still faces a \$3.7 trillion infrastructure investment gap over 2024–2033 between planned spending and actual needs. ASCE estimates the nation requires approximately \$9.1 trillion in infrastructure investment to bring system into a state of good repair across sectors.
- Continued underinvestment could cost the economy \$5 trillion loss in GDP over 2024–2043, underscoring the macroeconomic importance of closing the funding gap.

Infrastructure Ratings	
Stormwater	D
Dams, Roads, Schools, Transit, Wastewater, Levees, Energy & Aviation	D+
Drinking Water, Inland Waterways, Public Parks	C-
Bridges, Hazardous & Solid Waste	C
Broadband, Solid Waste	C+
Rail	B-
Port	B



Source: ASCE Infrastructure Report Card 2025

Structural Forces Driving the U.S. Infrastructure Capex Cycle



Electrification Wave

Rising electricity demand from EVs, industrial electrification, renewable integration and AI workloads is increasing pressure on generation, transmission and distribution networks.



AI and Data Centers

Rapid expansion of hyperscale data centers is creating a new class of infrastructure demand across power, cooling, land, water, fiber and grid interconnections.



Government Policies and Subsidies

Federal programs such as the Inflation Reduction Act (IRA), Infrastructure Investment and Jobs Act (IIJA), and CHIPS and Science Act are driving large-scale investments across energy, manufacturing, transportation, and digital infrastructure.



Nearshoring and Reshoring Buildouts

Supply-chain reconfiguration and industrial policy are driving new manufacturing capacity, increasing demand for utilities, roads, logistics hubs and construction services.



Urbanization and Climate Resilience

Population growth in Sunbelt states and rising extreme-weather risks are increasing pressure on transport, water, stormwater and grid resilience systems.

Source: Aranca Research

Policy Support Is Unlocking a Multi-Year Infrastructure Capital Cycle

Federal funding, tax credits, and permitting reforms are accelerating reinvestment across transportation, energy, manufacturing, and digital infrastructure

Infrastructure Investment and Jobs Act (2021)



\$1.2 Trillion funding across transportation, utilities, water systems, broadband, and energy infrastructure.

- Largest US Federal infrastructure investment program in modern history.
- Including \$550 billion in new spending over the next five years (transportation systems (\$284 bn) and core infrastructure (\$266 bn).
- Supports grid modernization, logistics efficiency, construction activity, and increased private-sector participation across critical infrastructure systems.

Inflation Reduction Act (2022)



~\$400B allocated for clean energy & manufacturing incentives.

- Expands tax credits and loans for EV, solar, and renewable manufacturing.
- Expected to catalyze over 1 trillion in private investment by 2035.
- Strengthens US supply chain resilience and energy security.

National Environmental Policy Act/ Permitting Reforms



Primary US environmental review framework governing major infrastructure projects.

- Major projects frequently took 5-10+ years to move from planning to execution. Permitting delays became one of the largest constraints on infrastructure modernization.
- Permitting reform aims to reduce execution bottlenecks by streamlining approvals and accelerating project deployment.
- Faster approvals can lower financing costs, reduce inflation exposure.

CHIPS and Science Act (2022)



\$52.7B federal funding (includes \$39B for manufacturing and \$11B for R&D)

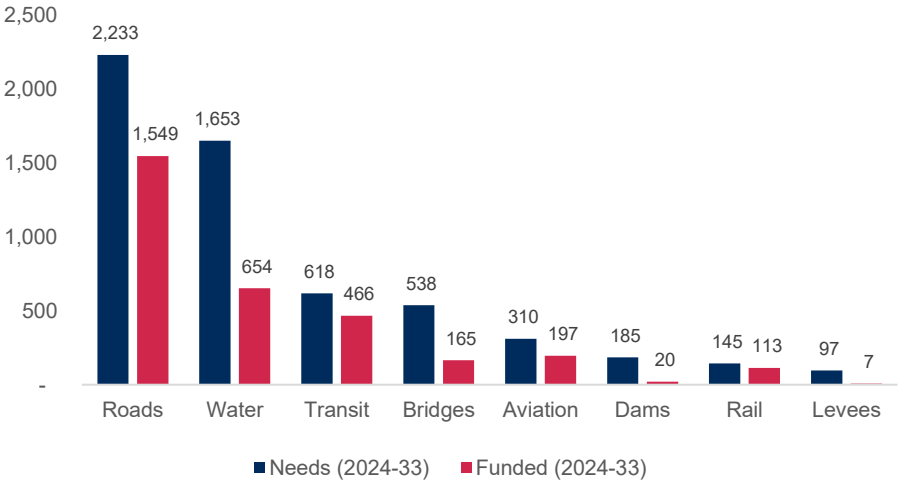
- Incentivizes domestic semiconductor R&D and fab expansion.
- Triggered 50+ new projects, over \$200B in private investments, and thousands of skilled jobs.
- Major investments: Intel (Ohio), TSMC (Arizona).

Source: Aranca Research

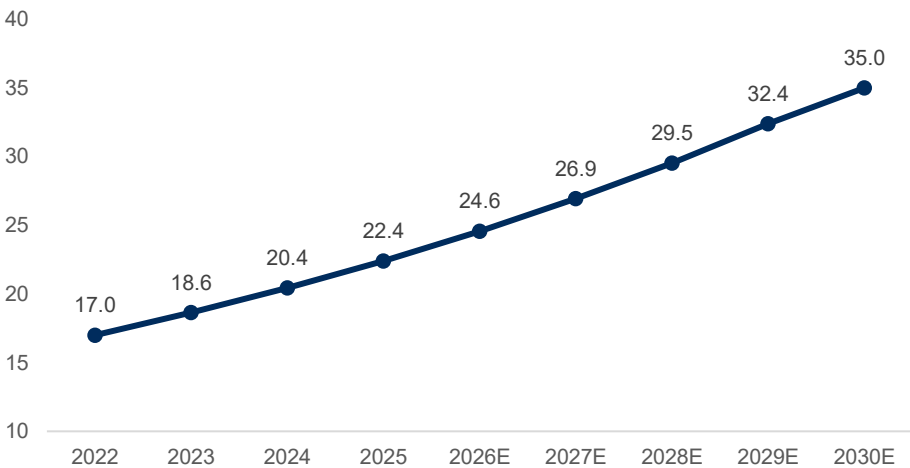
Rising Demand and Aging Networks Accelerate Infrastructure Spending Needs

- The U.S. faces a substantial infrastructure investment deficit across transportation, energy and water systems, underpinning a long-term capex super cycle.
- Growing travel demand and persistent funding shortfalls are increasing pressure on aging transportation infrastructure, with U.S. roadways alone facing a projected \$684B funding gap over the next decade.
- Aging water pipes and wastewater infrastructure, coupled with stricter environmental regulations, is driving significant long-term investment needs for system upgrades, replacement, and resilience improvements.
- Increase in electricity demand from AI, data centers, EV adoption, and industrial electrification is straining existing power infrastructure, while transmission constraints and grid bottlenecks continue to hinder new capacity additions.

Funding Gap (USD Bn)











Data Center Energy Demands (GW)



Source: Aranca Research

Core Beneficiaries of the Infrastructure Capex Cycle

Infrastructure capex is creating multi-year opportunities across grid and power, EPC services, digital infrastructure, and water systems, supported by public funding, AI-driven demand, electrification, and ageing asset replacement.

 <h3>Utilities and Power Infrastructure</h3>	 <h3>Engineering and Construction</h3>	 <h3>Digital Infrastructure and Data Center</h3>	 <h3>Water Infrastructure</h3>
<p>The aging US power grid requires major upgrades to support rising electricity demand, driving a multi-year utility capex cycle.</p> 	<p>Federal programs, industrial reshoring, renewable energy projects and data-center expansion are driving one of the strongest EPC project pipelines.</p> 	<p>AI workloads and cloud demands are accelerating for hyperscale data centers, power dense campuses and cooling systems, fiber networks and digital real estates.</p> 	<p>Water infrastructure is emerging as a critical investment theme driven by aging assets, climate resilience requirements, urbanization, and rising industrial demand.</p> 

Source: Aranca Research

Infrastructure Beneficiaries: Valuation and Performance Snapshot

- Infrastructure beneficiaries have delivered mixed but differentiated performance, with EPC and grid-exposed names outperforming on strong backlog growth, data-center demand, and grid modernization exposure.
- Valuations remain elevated for high-growth EPC and grid-linked names, making stock selection increasingly important as investors balance long-term capex visibility against near-term multiple risk.

Company	Sector	Market Cap* (\$ Bn)	Consensus	Share Price Performance		EV/EBITDA			P/E		
			% Upside	1M	YTD	LTM	FY26E	FY27E	LTM	FY26E	FY27E
NextEra Energy, Inc.	Electric Utilities	184	12%	-4%	10%	20.4x	15.1x	13.7x	22.9x	22.4x	20.1x
Vertiv Holdings Co	Electrical Component/Equipment	115	25%	-12%	85%	46.2x	34.1x	25x	75.5x	46.3x	34x
Quanta Services, Inc.	Construction and Engineering	107	6%	17%	68%	25.7x	31.5x	27.5x	98x	50.9x	43.2x
The Southern Company	Electric Utilities	106	9%	0%	7%	12.7x	13.1x	11.9x	24.0x	20.6x	19.0x
Constellation Energy Corporation	Electric Utilities	102	30%	-2%	-20%	14.3x	14.6x	13.2x	22.3x	22.2x	20.7x
Duke Energy Corporation	Electric Utilities	97	12%	-3%	6%	11.2x	11.1x	10.3x	19.2x	18.6x	17.3x
Emerson Electric Co.	Electrical Component/Equipment	77	19%	0%	5%	14.7x	16.6x	15.4x	32x	21.2x	19.3x
American Electric Power Company, Inc.	Electric Utilities	70	13%	-3%	12%	13.1x	12.6x	11.3x	19.1x	20.3x	18.8x
AMETEK, Inc.	Electrical Component/Equipment	52	14%	-3%	11%	21.4x	21x	19.5x	34.2x	27.8x	25.7x
Rockwell Automation, Inc.	Electrical Component/Equipment	50	3%	2%	15%	25.3x	24.7x	22.5x	46.4x	34.4x	30.8x
EMCOR Group, Inc.	Construction and Engineering	38	15%	3%	39%	15.8x	19.1x	17.6x	28.7x	29.2x	26.3x
MasTec, Inc.	Construction and Engineering	30	23%	3%	77%	14.7x	21.7x	17.7x	67.4x	43.7x	32.8x
Hubbell Incorporated	Electrical Component/Equipment	25	16%	-6%	8%	18.1x	17.5x	16.1x	28.2x	24.1x	21.9x
American Water Works Company, Inc.	Water Utilities	24	11%	-8%	-6%	14x	12.7x	11.6x	22x	20.4x	18.6x
Sterling Infrastructure, Inc.	Construction and Engineering	23	12%	59%	146%	34.5x	26.9x	23x	65.1x	38.9x	33.6x
Dycom Industries, Inc.	Construction and Engineering	12	15%	1%	22%	18.5x	14.9x	13.2x	43.2x	29x	24x
Essential Utilities, Inc.	Water Utilities	10	11%	-8%	-5%	14.3x	12.8x	11.9x	18.8x	16.6x	15.2x

Source: Capital IQ

* Market Capitalization values are as on 7th June 2026.

Risks and Challenges

Despite strong structural demand and policy support, the infrastructure cycle remains exposed to cost inflation, labor shortages, permitting delays, financing constraints, and policy uncertainty.



Material Inflation

Elevated costs for materials may increase project capex requirements, pressure project economics, and widen the infrastructure funding gap over time



Workforce Shortage

A shortage of skilled labor could constrain infrastructure deployment timelines, increase wage costs and limit execution capacity for large-scale projects



Execution Bottlenecks

Large infrastructure projects remain exposed to permitting delays, contractor constraints, supply-chain bottlenecks, and grid interconnection queues, potentially slowing project completion



Policy Reversal Risk

Changes in political priorities, subsidy structures, environmental rules, or permitting frameworks could alter project economics and delay investment decisions



Fiscal Constraints

Rising federal debt and higher interest costs may constrain future public infrastructure spending capacity and increase reliance on private capital participation



Private Capital Participation Risk

Execution of the infrastructure cycle may increasingly depend on private-sector funding and public-private partnerships, which remain sensitive to financing conditions and regulatory clarity

Source: Aranca Research

U.S. Infrastructure: Multiple Opportunities Across Growth and Defensive Assets

The U.S. infrastructure cycle offers asset managers a strategic long-term allocation opportunity, combining structural growth from AI, grid modernization and public capex with defensive, inflation-linked cash flows from regulated utilities and water infrastructure.

Structural Growth Exposure

Public funding, AI data-center capex, electrification, reshoring, and aging-asset replacement create a multi-year capex runway for the sector.

Implication: EPC, grid, and Digital infra are well positioned to deliver strong earnings growth, supported by healthy order backlogs, electrification trends, and accelerating digital infrastructure spending.

Defensive Cash-Flow Profile

Essential power, water, transport, and digital infrastructure assets benefit from relatively stable demand across economic cycles.

Implication: Regulated utilities and water infrastructure offer defensive characteristics, including stable cash flows, earnings visibility, and lower cyclicality

Inflation-Linked Revenue Base

Toll roads, regulated networks, and contracted assets embed inflation-linked tariffs, escalators, and regulated-return frameworks.

Implication: Exposure to inflation-linked infrastructure assets can provide real-return protection if inflation and interest rates remain structurally elevated.

Valuation Discipline

Several high-growth infrastructure names have already re-rated, compressing forward upside. Active stock selection is becoming increasingly important to identify companies with attractive risk-reward profiles.

Implication: Favour active and selective exposure, prioritising pricing power, execution capacity, and balance-sheet strength over the most expensive momentum names.

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