09 Oct 2026 10:25:50 ET | 10 pages

US Engineering & Construction

Initial Take on SpaceX Spectrum Announcement and E&C Readthrough

CITI'S TAKE

Grain Management announced (press release) an agreement to sell its nationwide 800 MHz spectrum portfolio to SpaceX, subject to FCC approval and customary closing conditions (see Citi's Telecommunication team takeaways - North America Telecommunications Operators and Telecommunications Infrastructure - SpaceX Begins to Assemble Spectrum Layer Cake with Low-Band Purchase from Grain). Overall, we think increased competition within the telecommunication ecosystem could be a modest positive for telecom infrastructure companies in our coverage (e.g., MTZ, ITG) given the potential for incremental network investment. Additionally, we think the announcement points to integration between terrestrial and satellite networks, which we think could reduce prior investor concern regarding satellite adoption potentially displacing traditional wireline/wireless infrastructure investment over time.

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See Appendix A-1 for Analyst Certification, Important Disclosures and Research Analyst Affiliations

ITG Inc

(ITG.O; US$7.62; 1H; 08 Oct 26; 16:00)

Valuation

Our $17 target price reflects a ~10x EV/EBITDA multiple on our ~$252mn FY27E adj. EBITDA estimate. We believe a discount to peer average is warranted given ITG's high customer concentration, elevated net leverage, and limited public track record. That said, we see potential for multiple expansion over time as the company executes its growth strategy and diversifies its revenue base.

Risks

We rate ITG High Risk given the following primary factors: ITG has the highest customer concentration across our broader coverage and recent IPO/limited trading history.

Other risks associated with ITG that could impact the stock performance and its ability to reach our target price include: elevated net leverage could limit near-term incremental M&A; execution risk related to integrating multiple recent acquisitions (7 acquisitions in 2025 out of 22 since 2019); and historical telco capex cyclicality.

MasTec

(MTZ.N; US$216.66; 1; 08 Oct 26; 16:00)

Valuation

Our target price of $408 is based on 32x our 2027 EPS estimate of $12.75, which is above MTZ's 10-year average of ~13x, but we think this is justified given: 1) recent acquisitions that have diversified MTZ's revenue base (more T&D and renewables); 2) ramping pipeline and data center infrastructure 3) government stimulus boosting broadband/5G rollout; and 4) potential for synergies and self-help that could enhance margins over time.

Risks

Potential that Communications and/or Clean Energy growth could be slower to materialize than we expect due to slower customer capex spend or regulatory hang-ups (eg, IRS rules regarding IRA). Additionally, execution could be a risk along with supply chain issues, which could particularly impact renewables and large oil & gas pipeline projects. If the impact on the company from any of these factors proves to be greater than we anticipate, the stock will likely have difficulty achieving our target price.

