



Stuck Below a Billion

Why Some Industrial Companies Never
Escape the Valuation Trap – and What
Separates Them from Those That Do

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Walk through any micro-vertical of industrials – electrical equipment, flow control, specialty materials – and you will find two types of companies sitting side by side. Both make real things, serve real customers, and have been around for decades. Yet one has quietly compounded its market cap three, four, or five times over. The other is still where it was, priced like a commodity, invisible to institutional investors.

This is not a story about industry dynamics or end-market luck. It is about a small number of specific, observable decisions – on pricing, portfolio, capital allocation, and leadership – that compound quietly over years until the gap becomes almost impossible to close.

From a universe of 900+ publicly traded US industrial companies, we studied the 315 with market caps between \$100M and \$5B over the last five years. We identified two cohorts: 43 Value Trappers – companies that stayed below \$1B in market cap for five years and grew less than 50% – and 18 Value Builders – companies that started below \$1B in Jan 2021 and have since crossed \$1.5B or more. The differences are measurable, structural, and traceable to decisions that diverge early and compound hard.



Meet the Value Builders



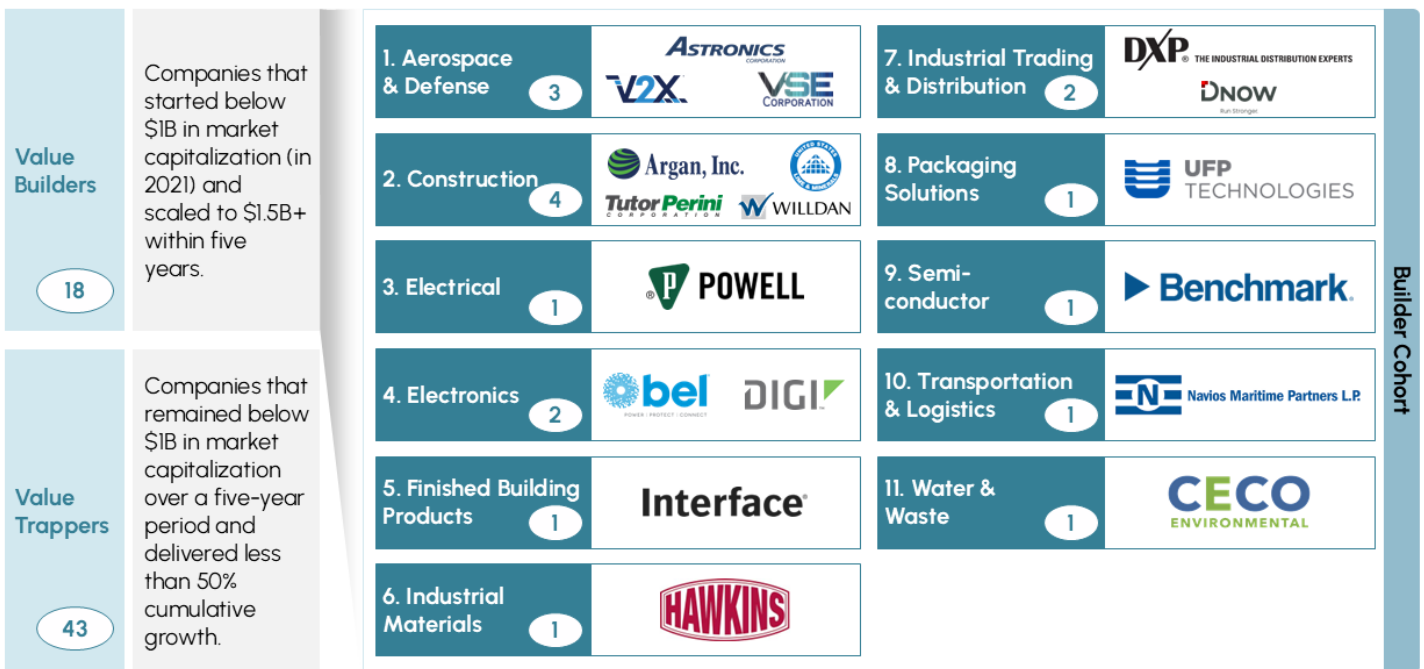
The 18 Value Builders span 11 distinct segments – from aerospace and defense and semiconductors to construction and industrial distribution (Exhibit 1). They are not clustered in the most fashionable corners of industrials. Several operate in segments that look unremarkable: industrial materials, finished building products, water and waste. What they share is not always a favorable end market. It is a set of decisions explored later in this article.



Exhibit 1

Value creation is not segment specific – Builders operate across a wide range of industrial segments

■ Segment (X) Number of companies



Source: S&P CIQ Pro; Ayna Team Analysis

All 18 sat below \$1B at the start of 2021. By January 2026, all had crossed \$1.5B. The range of outcomes is striking.



Powell Industries (POWL) grew from \$340M to nearly \$3.9B – an 11-fold increase driven by surging data center and LNG infrastructure demand. Argan (AGX) expanded from \$700M to \$4.3B as power generation backlogs compounded year after year. Hawkins (HWKN) grew more than fivefold from \$560M to \$3B. Even the most modest performer – Benchmark Electronics – grew 1.5x; Bel Fuse and Navios Maritime Partners delivered 12x. The magnitude differs; the direction does not (Exhibit 2).

Exhibit 2

Magnitude varies, but the pattern does not - all Builders create significant shareholder value

	Market Cap (Bn \$)				Market Cap (Bn \$)		
	Jan 2021	Jan 2026	Growth		Jan 2021	Jan 2026	Growth
Argan, Inc.	0.70	4.35	6x	Navios Maritime Partners L.P.	0.13	1.51	12x
ASTRONICS CORPORATION	0.41	1.93	5x	DNow Run Stronger	0.79	2.46	3x
bel	0.18	2.11	12x	POWELL	0.34	3.87	11x
Benchmark	0.99	1.53	1.5x	Tutor Perini CORPORATION	0.66	3.53	5x
CECO ENVIRONMENTAL	0.25	2.13	9x	UFP TECHNOLOGIES	0.35	1.71	5x
DIGI	0.56	1.63	3x	V2X	0.64	3.43	5x
DXP THE INDUSTRIAL DISTRIBUTION EXPERTS	0.40	1.72	4x	VSE CORPORATION	0.58	1.72	3x
HAWKINS	0.56	2.97	5x	WILLDAN	0.43	4.04	10x
Interface	0.62	1.63	3x		0.50	1.53	3x

Source: S&P CIQ Pro; Ayna Team Analysis



The Numbers Tell the Divergence Story



Start with the multiple – the market’s precise verdict. In January 2021, Trappers traded at 0.9x EV/Sales and Builders at 0.6x. By January 2026, Trappers had slipped to 0.7x while Builders expanded to 1.9x. That re-rating – one cohort compressing, the other tripling – was built in real time as business quality diverged in four measurable ways (Exhibit 3).

Exhibit 3

The valuation gap is earned - Builders outperform across returns, growth, cash, and investor confidence

Metric		Value Trappers	Value Builders
Valuation— The Verdict	EV/Sales (Jan 2021 → Jan 2026)	0.9x → 0.7x	0.6x → 1.9x
Returns	ROIC — 2020	6.0%	5.3%
	ROIC — 2025	3.5%	9.6%
Growth & Margin	Revenue CAGR (5-year, 2020-2025)	3%	11%
	Gross Margin Expansion (2020-2025)	-198 bps	+636 bps
Cash Generation	OCF Margin Expansion (2020-2025)	-458 bps	+310 bps
Investor Confidence	Blue-chip Institutional Ownership (Jan 2026)	17%	31%

Source: S&P CIQ Pro; Ayna Team Analysis | Metrics computed at an aggregate level



First, returns. Both cohorts entered 2020 at similar ROIC levels – Trappers at 6.0%, Builders at 5.3%. By 2025, the positions had reversed: Trapper ROIC collapsed to 3.5% while Builder ROIC climbed to 9.6%.



Second, growth and margin. Builders grew revenue at an 11% CAGR (2020–2025) versus 3% for Trappers, and expanded gross margins by 636 bps while Trappers surrendered 198 bps. That 834-bps spread is the difference between pricing with confidence and competing on price.



Third, cash generation. Builders expanded OCF margin by 310 bps (2020–2025); Trappers saw theirs shrink by 458 bps. That 768-bps divergence is the difference between a business that collects what it earns and one that leaves value trapped in working capital and integration costs.



Fourth, investor confidence. As of January 2026, blue-chip institutions own 31% of Builder equity versus 17% of Trapper equity – a gap that reflects not just performance, but the strategic predictability long-duration investors require before building a meaningful position.

The sections that follow examine the five tenets that define how Value Builders operate – margin structure, market selection, capital discipline, cash conversion, and leadership – and trace how each drives the divergence the numbers above make visible.

What Sets Value Builders Apart: The Five Tenets



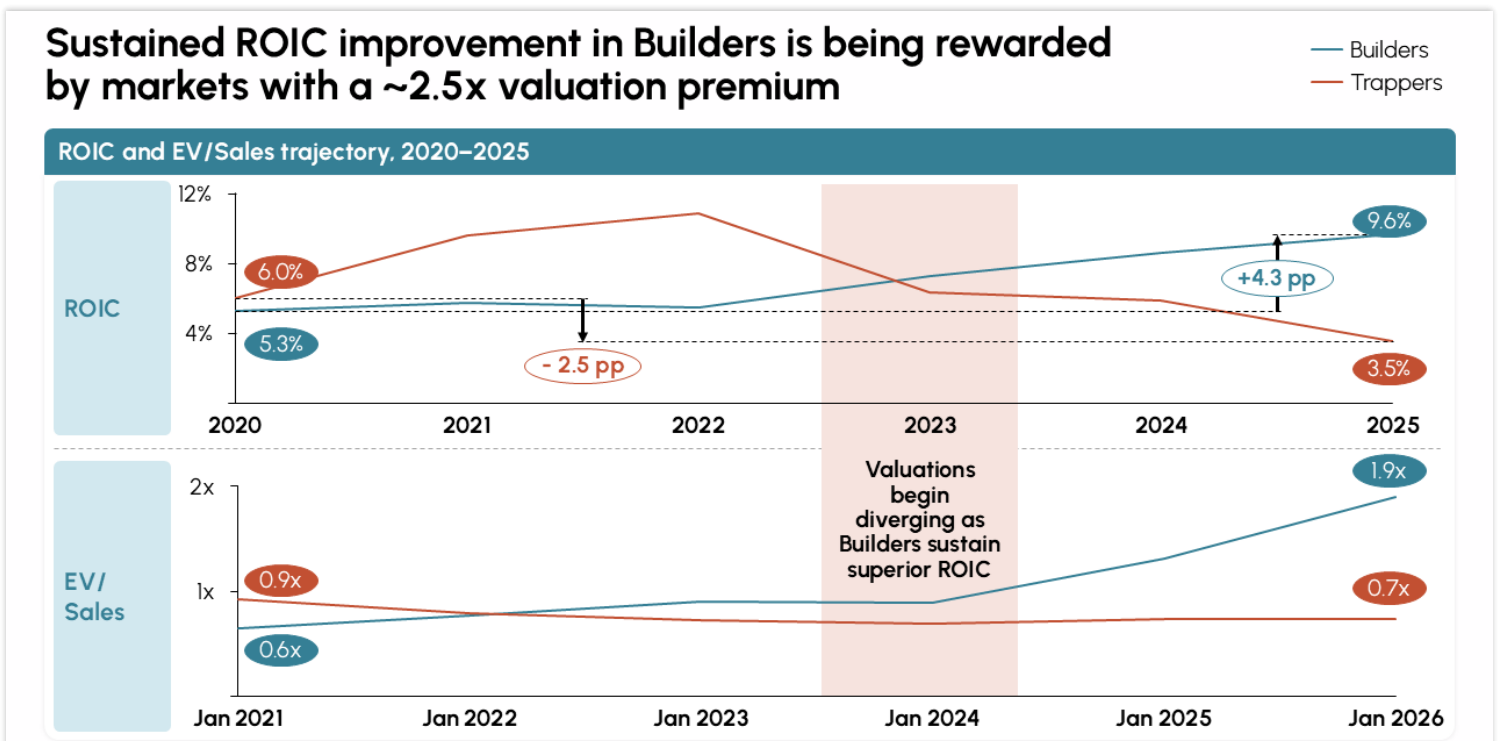
TENET 1: THE MARGIN ENGINE

Builders earn more on every dollar of assets and the gap is compounding

The sharpest separator between the two cohorts is ROIC trajectory. Both groups entered 2020 at similar levels – Trappers at 6.0%, Builders at 5.3%. From there, they diverged consistently, over five years (Exhibit 4).

Trapper ROIC fell from 6.0% to 3.5% – a 2.5 pp collapse. Builder ROIC climbed from 5.3% to 9.6%, a 4.3 pp gain. The lines crossed in 2023. That crossover is when the valuation gap became structural: from Jan 2024, EV/Sales trajectories diverged sharply. Builder EV/Sales expanded from 0.6x to 1.9x; Trapper EV/Sales slipped from 0.9x to 0.7x. The market priced diverging ROIC trajectories as they became visible, rewarding Builders with a roughly 2.5x valuation premium by Jan 2026.

Exhibit 4



Source: S&P CIQ Pro; Ayna Team Analysis | Metrics computed at an aggregate level



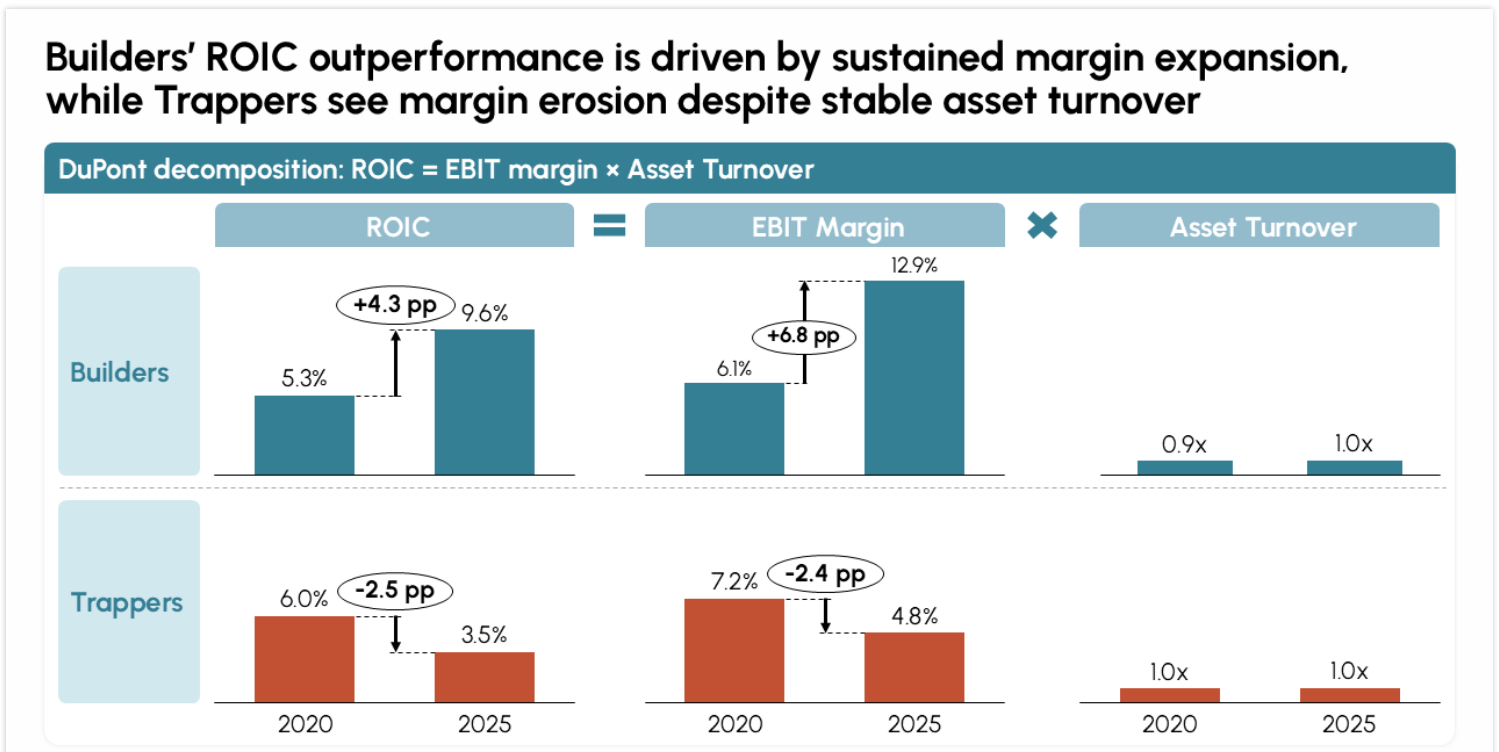
The gap lives on the income statement, not the asset base

A DuPont decomposition shows exactly where the gap lives. Asset turnover is nearly identical: Trappers held flat at 1.0x; Builders moved from 0.9x to 1.0x (2020–2025). Both groups deploy their capital at roughly the same intensity.

The entire gap is on the income statement: Builder EBIT margin expanded from 6.1% to 12.9%, a 6.8 pp improvement, while Trapper EBIT margin contracted from 7.2% to 4.8%, a 2.4 pp deterioration. Trappers entered 2020 with higher EBIT margins; by 2025 Builders led by 8.1 pp (Exhibit 5).

Break down the EBIT margin gap and it becomes clearer still. Builder gross margins expanded 6.4 pp between 2020 and 2025; Trapper gross margins contracted by 2.0 pp. That 8.4 pp spread at the point-of-sale accounts for most of the EBIT delta. The problem is not overhead, it is commercial. Trappers compete on price to hold volume, accepting discounts rather than defending the value their products deliver. When differentiation is absent, price is the easiest lever. But every discount compounds: a point of gross margin surrendered in year one is a point that never returns. No amount of operational efficiency downstream can recover what is lost at the point of sale.

Exhibit 5



Source: S&P CIQ Pro; Ayna Team Analysis | Metrics computed at an aggregate level



TENET 2: THE MARKET SELECTION ADVANTAGE

Where you play matters as much as how you play

The ROIC gap lives in margins. But the margin gap does not begin with execution – it begins with the choice of where to compete. Value Builders orient toward structurally growing end-markets: energy infrastructure, aerospace MRO, water treatment, defense electronics, medical devices.

Trappers do the opposite – accumulating exposure to commodity, cyclical, and secular-decline markets: commercial print, auto OEM parts, recreational boats, pulp and paper. Both cohorts are concentrated in their top end markets. The difference is what those markets demand from a supplier and what they will pay for it.

The data is unambiguous. Mapping each company's end market exposure as tailwind, mixed, or headwind – based on structural demand, regulatory support, and capital investment cycles – reveals a sharp divergence. On a revenue-weighted basis, Builders derived 80% of revenue from tailwind end-markets; Trappers averaged just 14%. On a company-count basis, 84% of Builders sit in tailwind markets (78% Strong Tailwind, 6% Tailwind), versus roughly 15% of Trappers. Most tellingly, not a single Builder was classified as a Headwind company – while half of Trappers were. This is not a marginal difference. It is a structural one (Exhibit 6).

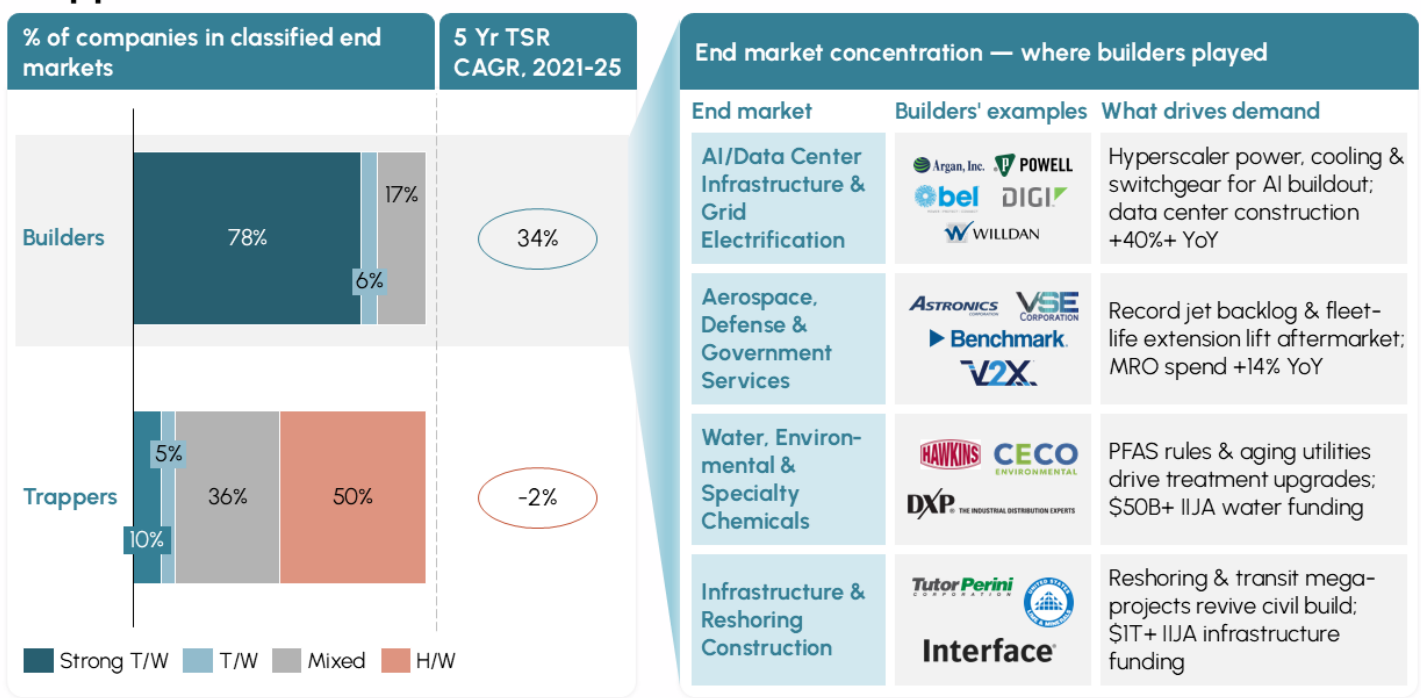
The market prices this distinction precisely: Builders compounded at a 34% five-year TSR CAGR; Trappers declined at -2%. The divergence is not explained by execution alone. It reflects the quality of the end markets each cohort chose to serve.





Exhibit 6

Where you play matters: 84% of Builders sit in tailwind markets — vs. 50% of Trappers stuck in headwinds



Source: S&P CIQ Pro; Company earnings transcripts and investor presentations; Ayna Team Analysis
 Numbers may not add up to 100% due to rounding

TENET 3: THE PORTFOLIO DISCIPLINE

Builders concentrate to compound. Trappers diversify to dilute

The market selection problem compounds when companies attempt to solve it through M&A.

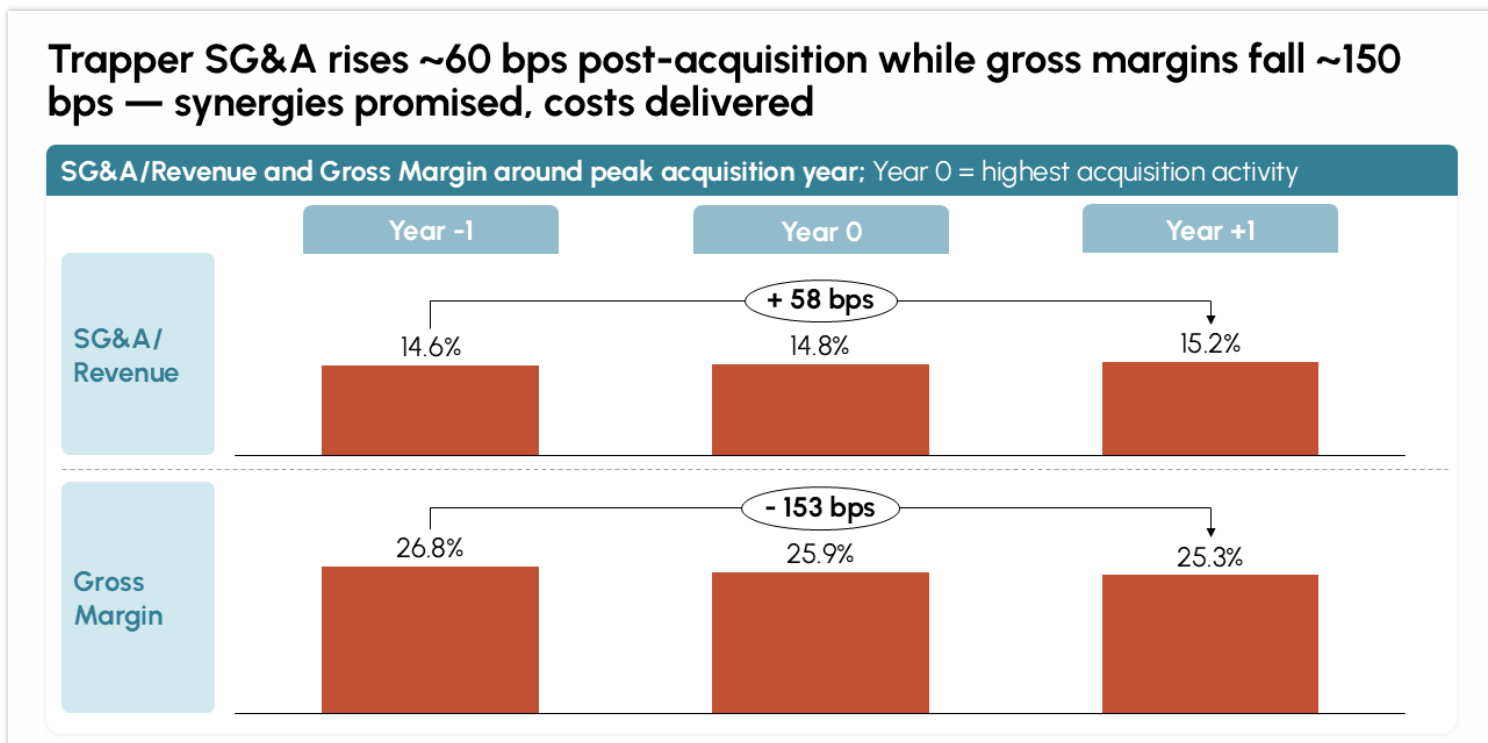


Rather than doubling down in a structural tailwind, Trappers expand outward – acquiring adjacent businesses in new end markets, adding product lines that stretch the portfolio thin, and paying integration costs that destroy the margin structure of the core. Each acquisition looks defensible in isolation. Cumulatively, they entrench the company in exactly the diversified, undifferentiated position that depresses margins and multiples. The data captures this pattern precisely.



For Trappers, the pattern around their most active acquisition year (across the 2016–2025 period) is consistent. In the year before peak deal activity, SG&A sits at 14.6% of revenue and gross margin at 26.8%. By the year after, SG&A has risen 58 bps to 15.2% – promised synergies unrealized, duplicate functions intact, new management layers added. Gross margin has fallen 153 bps to 25.3%. The asset base got bigger; the return on it did not (Exhibit 7).

Exhibit 7



Source: S&P CIQ Pro; Ayna Team Analysis | Metrics computed at an average level

Consider two examples. A snow and ice control equipment manufacturer made three acquisitions, expanding from core plow attachments into truck upfitting and crane equipment. In the two years around its peak deal year (2016), SG&A rose from 12% to 13% of revenue while gross margin fell from 34% to 30%. A vehicle parts manufacturer pursued five deals, moving from remanufactured alternators into testing equipment, Canadian distribution, and adjacent components. Around its peak year (2018), SG&A rose from 12% to 14% and gross margin compressed from 27% to 21%. In both cases, revenue grew. But the businesses became mediocre at everything and excellent at nothing. Promised synergies did not materialize, duplicate functions persisted, new management layers were added. Rising SG&A on an already-pressured gross margin compresses EBIT with each deal. Trappers do not merely fail to create value through acquisitions. They actively destroy margin structure, one deal at a time.



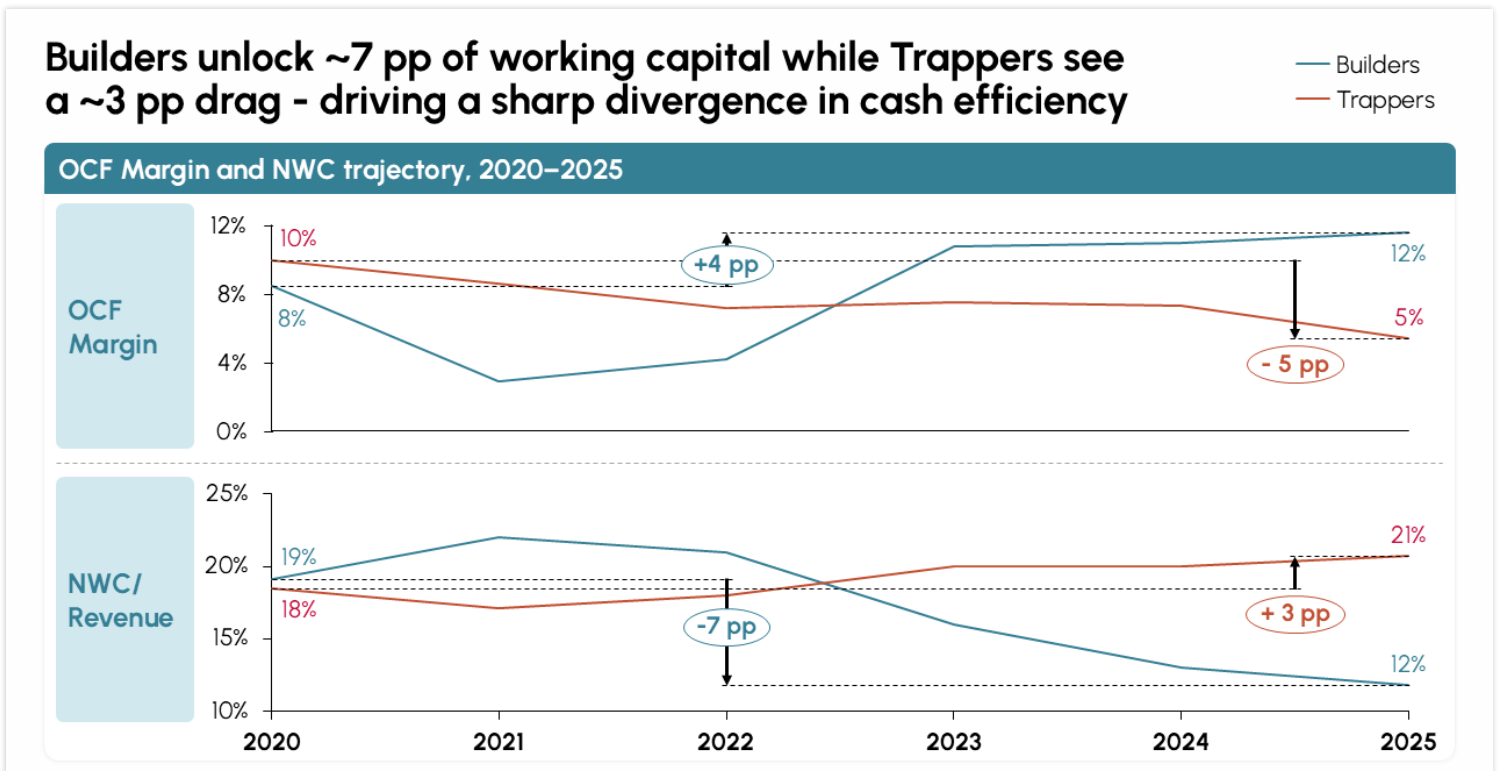
TENET 4: THE CASH CONVERSION GAP

**Builders collect what they earn.
Trappers leave it on the table**

Gross margins tell you what a company earns on each sale. Operating cash flow shows how much is realized in cash after working capital movements. The gap between Builders and Trappers here is not subtle – and it is the most direct link between operating behavior and valuation multiple.

The working capital data makes the mechanism concrete. Between 2020 and 2025, Builders reduced net working capital from 19% to 12% of revenue – a 7-pp release that lifted OCF margin from 8% to 12%. Trappers moved the other way, allowing NWC to drift from 18% to 21% of revenue, adding a 3-pp drag that compressed OCF margin from 10% to 5%. That 10-pp divergence in working capital efficiency is the single largest contributor to the cash generation gap (Exhibit 8).

Exhibit 8



Source: S&P CIQ Pro; Ayna Team Analysis | Metrics computed at an aggregate level

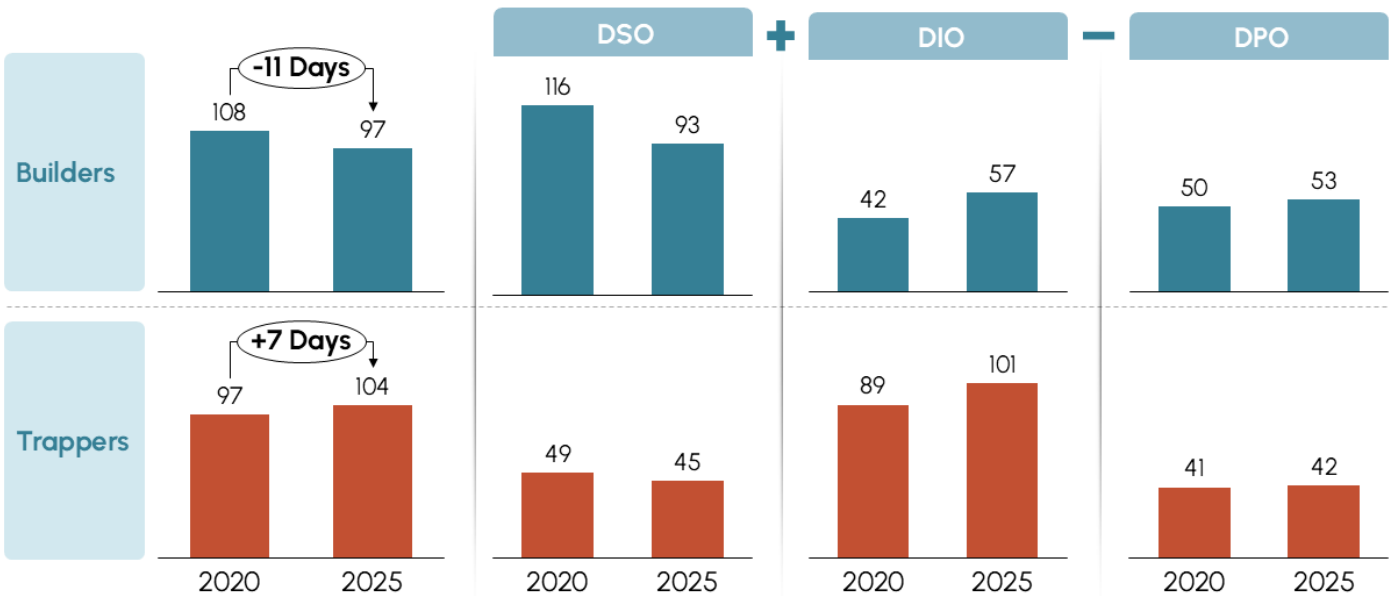


The cash conversion cycle tells the same story in days. Builders improved their CCC by 11 days – from 108 to 97 – driven by faster receivables collection, with DSO falling from 116 to 93 days, even as inventory days edged up from 42 to 57. Trappers went the other way: CCC expanded by 7 days, from 97 to 104, as inventory built from 89 to 101 days while DSO and DPO remained flat at 45 and 42 days (Exhibit 9). Builders used working capital as a source of cash. Trappers let inventory accumulation turn it into a permanent drag.

Exhibit 9

Despite inventory build up across both cohorts, Builders improve cash cycles through faster collections, while Trappers see overall deterioration

Cash Conversion Cycle: Days, Aggregated for both cohort



Source: S&P CIQ Pro; Ayna Team Analysis | Metrics computed at an aggregate level





Guidance accuracy: the behavioral fingerprint of cash discipline

Cash discipline reveals itself in EPS consistency. A management team that manages working capital tightly, avoids capex overruns, and executes against a plan that materializes is one the market can model with confidence. Builder companies met or beat consensus EPS estimates in 2.3 of the last 5 fiscal years. Trapper companies managed just 1.4 of 5 – roughly half as often. Not because analysts set the bar low, but because pricing power and margin stability are structural in businesses that have genuinely earned their niche. Trappers do not merely underperform Builders; they consistently underperform what the market already expects of them. That credibility deficit is a symptom of operational opacity – and the OCF margin gap is its most direct financial consequence.



TENET 5: THE CREDIBILITY COMPOUND

Strategy consistency is priced into the multiple

The first four tenets describe what Value Builders do differently. This fifth explains why those behaviors persist while Trappers cycle through the same mistakes. The answer is leadership continuity and the institutional credibility it produces.

Builder CEOs averaged 12 years in the role. Trapper CEOs averaged 8. But the more precise finding is not tenure alone – it is what tenure absence produces. Short-tenured Trapper CEOs arrive with new frameworks and retire old ones. Strategic language resets. Consider what this means in practice: an institutional investor who built a position around a “niche industrial compounder” thesis now faces a company repositioning as a “diversified industrial platform.” The financials are the same; the story is different; the conviction evaporates. Long-duration investors – pension funds, endowments, large asset managers – need to underwrite a multi-year model before building a meaningful stake. They cannot do that around a business that changes strategy every 30 months. They redeploy elsewhere. The ownership data confirms it.



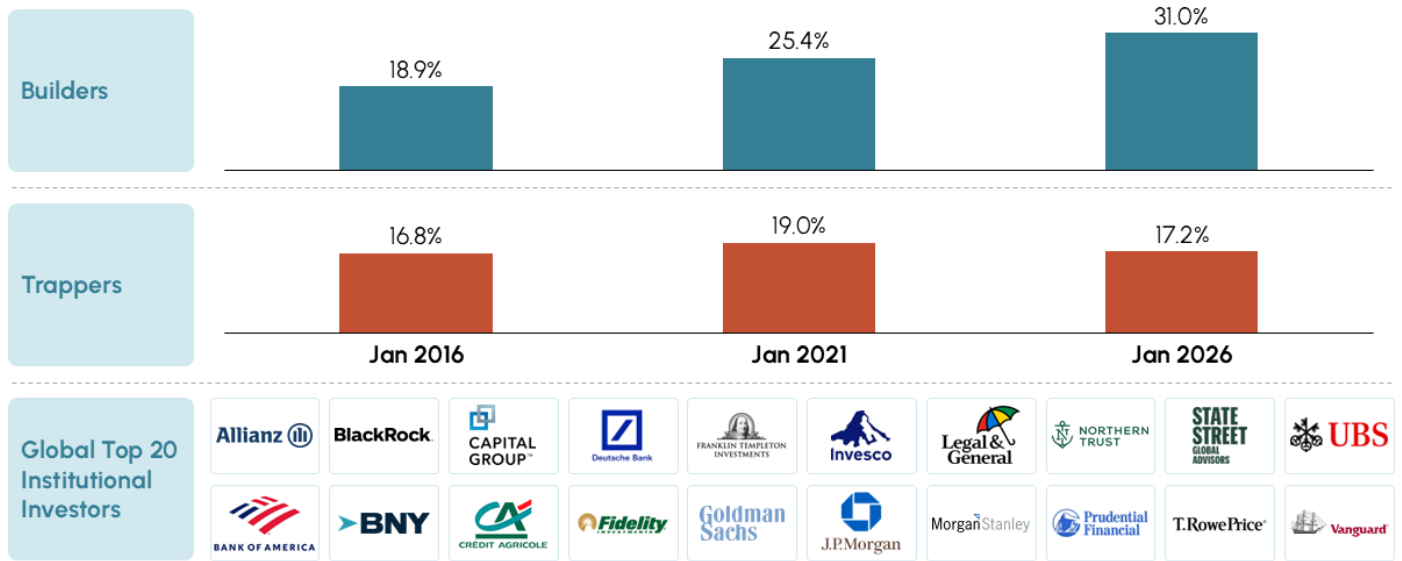
The institutional verdict: 31% vs. 17%

Among the Global Top 20 institutional investors, Builders command 31.0% average shareholding versus 17.2% for Trappers (January 2026) – a gap of nearly 14 percentage points (Exhibit 10). What makes the divergence significant is where it started. In January 2016, the two cohorts were nearly indistinguishable: Builders at 18.9%, Trappers at 16.8%. By January 2021, Builders had already pulled ahead to 25.4% while Trappers held at 19.0%. The subsequent five years accelerated the gap. It is not that top institutions cannot find these companies. It is that they cannot model them with confidence.

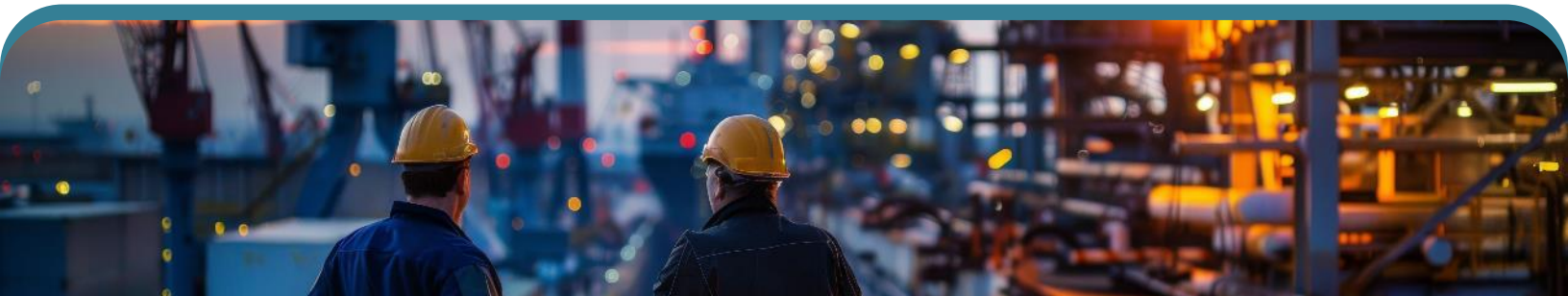
Exhibit 10

After a decade, Builders command ~14pp higher institutional ownership despite similar starting points

Average % Shareholding by Blue-chip – Global Top 20 Institutions



Source: S&P CIQ Pro; Ayna Team Analysis | Metrics computed at an average level





The on ramp to blue-chip ownership is analyst coverage. As of January 2026, Builder companies carry an average of 4.1 active sell-side analysts – with live models and near-term estimates – versus 1.6 for Trappers, who often have stale initiations and no current forecasts. That 2.5x coverage gap translates directly into institutional access. The sequence matters: strategic clarity drives analyst coverage, which drives institutional ownership, which re-rates the multiple.



Builders compound their narrative. Trappers reset it

An analysis of annual earnings calls across three companies from each cohort between 2021 and 2025 – coding the three strategic themes each CEO stated in year one and tracking whether those themes persisted in years three and five – reveals a structural difference (Exhibit 11). Builder management teams compound their narrative: the same themes return each year, deepened by new evidence of execution. All three sample Builders retained 100% of their year-one themes by 2025. One company used the same three-word phrase to describe its strategic focus in every annual statement from 2021 through 2025. Trapper management teams do the opposite. By year three, average theme persistence had fallen to 67%. By year five it had collapsed to 28%. The proximate cause is almost always a CEO transition: every Trapper in the sample experienced at least two leadership changes over five years; none of the Builders changed CEO once.



The themes themselves matter as much as their persistence. Builder themes describe structural market position: “industrial air, industrial water, and energy transition”; “electrical switchgear for oil and gas, utility, and data center”; “medical device components as the primary growth engine.” These are not aspirations – they are descriptions of a position already earned. Trapper themes, by contrast, describe transformation, framework transitions, or recovery: “three-horizon strategy, Horizon One in execution”; “supply chain recovery as the path to Solutions segment growth”; “non-discretionary vehicle parts as a structural tailwind.” Each was retired before year five – not because the strategy worked, but because a new CEO arrived with a new framework: “Focused Transformation,” “Optimize, Expand, Activate,” “inventory crisis management.” When a Trapper announces a strategic pivot, the multiple impact is negative even when the logic is sound. The market does not penalize good strategy. It penalizes the implicit admission that prior strategy was wrong. Every pivot resets the clock on the management credibility that drives institutional re-engagement.

Exhibit 11

Builders compound one consistent story; Trappers swap frameworks each time the CEO changes

	Company		Theme persistence over time			Narrative Retained	What happened to the narrative
			Y1 (2021)	Y3 (2023)	Y5 (2025)		
Builders	 no CEO change	T1	●	●	●	100%	Oil & gas / utility / data-center framing restated verbatim and deepened
		T2	●	●	●		
		T3	●	●	●		
	 no CEO change	T1	●	●	●	100%	“Industrial air, water, energy transition” same phrase, 5 consecutive years
		T2	●	●	●		
		T3	●	●	●		
	 no CEO change	T1	●	●	●	100%	Medical growth engine restated; cost-leverage theme reframed then restored
		T2	●	●	●		
		T3	●	◐	●		
Trappers	Trapper A 3 CEO changes	T1	●	◐	○	17%	“Optimize, Expand, Activate” replaces supply-chain + segment-growth themes
		T2	●	○	○		
		T3	●	●	◐		
	Trapper B 2 CEO changes	T1	●	●	●	50%	Flagship platform survives — but core segment now under strategic review
		T2	●	◐	○		
		T3	●	●	◐		
	Trapper C 3 CEO changes	T1	●	◐	○	17%	“Focused Transformation” retires “One-[Co]” + 3-Horizon framework
		T2	●	●	○		
		T3	●	◐	◐		

Source: Company earnings transcripts and investor presentations 2021–2025; Tx = Theme x

The Value Builder Playbook: The Escape Sequence



The five tenets diagnose why the gap exists. The five plays below describe how to close it.



PLAY 1 – REPOSITION INTO MARKETS THAT REWARD DIFFERENTIATION

Map your revenue against structural demand signals. If more than half sits in markets with volume decline, overcapacity, or commodity pricing, repositioning is not optional – it is the prerequisite for every move that follows. No amount of execution discipline compensates for competing in markets that structurally compress price.



Powell Industries (POWL) concentrated its electrical switchgear business on three end markets – oil and gas, utility infrastructure, and data centers – and resisted expansion into adjacent segments. As data center and LNG infrastructure spending accelerated after 2021, Powell was the qualified, certified supplier in place. Market cap grew from ~\$340M to ~\$3.9B in five years not because the market surprised it, but because it had already earned the position.¹

PLAY 2 – BUILD DIFFERENTIATION THAT LETS YOU PRICE ON VALUE, NOT COST

Invest in switching costs, application engineering, and customer certifications before attempting to raise price. Announcing a price increase is not the same as capturing it – our 2025 pricing research shows only 1 in 5 industrial companies that announced increases captured 150 bps or more of gross margin expansion. The other four surrendered the gain to discounts, rebate misalignment, and channel leakage. Pricing power is earned through deep application expertise that makes an offering genuinely difficult to replace. Gross margin expansion is then the prerequisite for OCF generation, which is the prerequisite for capital discipline. The sequencing is non-negotiable.



¹ Powell Industries, Inc. Annual Reports on Form 10-K, fiscal years ended September 30, 2021–2024 (NASDAQ: POWL); Powell Industries Q4 FY2024 earnings release, November 19, 2024. Market capitalization data sourced from S&P Capital IQ Pro.



Hawkins (HWKN) built its industrial chemicals business around application-specific formulation and deep customer integration across water treatment, food, and industrial processing. When input costs spiked in 2022, Hawkins passed through increases without volume loss – its customers had no credible alternative for the certified formulations they ran. Gross margins held while peers contracted. The business grew from \$566M to nearly \$1.1B in five years on the back of pricing power that was decades in the making.²



PLAY 3 – CONVERT MARGIN GAINS INTO CASH BY TIGHTENING WORKING CAPITAL

Run a DIO/DSO/DPO diagnostic by site and set a 12-month target to release 200–400 bps of trapped OCF. Builders cut NWC from 19% to 12% of revenue over five years; the primary lever typically is DSO, not inventory – start with collections. In parallel, publish an explicit capital allocation hierarchy: organic investment at a stated ROIC hurdle first; acquisitions into end-market tailwinds second; buybacks only when neither clears the bar. State the hurdle publicly. A management team held to a number it announced is harder to override than one operating on an internal framework no analyst can model.



Argan (AGX) builds power generation facilities under fixed-price EPC contracts – a model that structurally inverts the working capital equation. Utilities and power developers fund construction through upfront deposits and milestone payments, so Argan collects cash before it spends on labor and materials. Contract liabilities – customer advances not yet earned as revenue – grew from \$172M in fiscal 2021 to \$181M in fiscal 2024 as the project backlog compounded. That structural pre-funding expanded OCF margin as revenue scaled. The market cap grew from \$700M to \$4.3B not because Argan squeezed working capital through operational effort, but because its contract model was designed to convert backlog into cash before cost hits the income statement.³

² Hawkins, Inc. Annual Reports on Form 10-K, fiscal years ended March 2021–2025 (NASDAQ: HWKN); Hawkins Q4 FY2025 earnings release, May 2025. Gross margin and revenue data sourced from S&P Capital IQ Pro.

³ Argan, Inc. Annual Reports on Form 10-K, fiscal years ended January 31, 2021–2024 (NYSE: AGX); contract liabilities figures from Argan consolidated balance sheets. Market capitalization data sourced from S&P Capital IQ Pro.



PLAY 4 – DIVEST TO THE POINT OF GENUINE EXCELLENCE

Score every business unit on two axes: gross margin relative to the core and end market structural demand. Exit anything that fails both tests within 18 months – not over a three-year portfolio review. The board objection will be revenue decline; the right response is to show gross margin and ROIC on the remaining base in the quarter after close. Do not use divestiture proceeds to acquire. Ring-fence them for buybacks or debt reduction until the margin improvement is visible in at least two quarters of reported results. Redeploying into M&A before demonstrating the margin lift tells the market the complexity is back.



Bel Fuse (BELFB) spent much of the 2010s as a diversified connector and component company spread across consumer, networking, and industrial end-markets. Through a series of targeted divestitures and reorientation toward defense electronics and medical power components, it narrowed the portfolio to segments where application engineering and regulatory certification created genuine switching costs. As the portfolio focused, gross margins expanded and ROIC improved. The stock delivered 12x returns from 2021 to 2026.⁴

⁴ Bel Fuse Inc. Annual Reports on Form 10-K, fiscal years ended December 31, 2021–2025 (NASDAQ: BELFB); investor presentations 2021–2025. Gross margin, ROIC, and total shareholder return data sourced from S&P Capital IQ Pro.



PLAY 5 – BUILD THE INVESTOR INFRASTRUCTURE TO CAPTURE THE MULTIPLE

Identify the 5–8 sector analysts whose coverage determines whether a long duration industrial fund can build a position – and run a 12-month direct engagement plan starting with the CFO. Builders averaged 4.1 active sell-side analysts versus 1.6 for Trappers. That gap is not random – it is the output of consistent financial transparency and a management team willing to be held to stated numbers. Pick three public ownership commitments – a margin target, a working capital ratio, a capital allocation rule – and report against them every quarter. Lock the strategic narrative to three end-market themes and do not change them. The market does not re-rate a company it cannot model; it re-rates one it has modeled correctly for eight consecutive quarters.



Powell Industries (POWL) maintained the same three strategic themes – oil and gas, utility, data center – in every annual earnings call from 2021 through 2025. That narrative consistency, backed by visible margin expansion and a simple capital allocation model, gave sell-side analysts a stable framework to model. Coverage increased. Institutional ownership followed. The re-rating from 0.3x to over 4x EV/Sales was not a surprise to investors who had followed the company for three years. It was an outcome they had already modeled.⁵

⁵ Powell Industries, Inc. earnings call transcripts, fiscal years 2021–2025; sell-side analyst coverage tracked via S&P Capital IQ Pro. EV/Sales and institutional ownership data sourced from S&P Capital IQ Pro.

The Reset Question



Most Value Trappers know, at some level, what they are. The financials are visible. The gap to peers is visible. The ROIC trajectory is visible. The question is whether the leadership team and board believe the situation is reversible – and whether they are willing to make the changes that reversal requires.

Those changes are not small, and they cut against instinct at every step. Repositioning into a different end-market means walking away from revenue the business has served for decades. Earning the right to price means investing in application engineering and switching costs before the margin shows up – and holding the line on discounts when the sales team is under pressure to close. Tightening working capital means uncomfortable conversations with customers about payment terms and with operations about inventory targets. Divesting a business unit means accepting a revenue line that shrinks before it improves. Installing a capital allocation hierarchy means saying no to acquisitions the board finds strategically compelling. Locking a narrative for five years and not changing it means a new CEO inherits a framework rather than building one.

None of these moves is technically complicated. All of them are organizationally hard. The businesses that execute them – consistently, over years, without cycling through new frameworks or rationalizing the next exception – are the ones that compound. The ones that do not write the cautionary tale.

The cost of inaction compounds negatively. Every year of sub-WACC returns widens the multiple gap. Every undisciplined acquisition adds to the complexity tax. Every leadership change resets the clock on strategy credibility. Every year the window to escape narrows – not because the playbook changes, but because the gap becomes harder to close, the analyst coverage harder to rebuild, and the institutional patience harder to earn back.

The companies in our Builder cohort did not start with structural advantages unavailable to their peers. Powell Industries was a mid-sized switchgear manufacturer before the data center cycle found it already positioned. Hawkins was an industrial chemicals distributor before its application depth made it irreplaceable. Argan was a construction contractor before its capital discipline made it modelable. What separated them was not luck or industry tailwind. It was a set of decisions made early, held consistently, and compounded over time. The rest is arithmetic.

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