

US Satellite*

Recommended since 07.01.2025

07.01.2025



Country US	Market capitalization (bn) USD 104.6	Perf. since reco. (%)
Sector Industrial Goods & Services	Free float 99.9%	GE Vernova Inc. 0.0
Factset GEV-US	Closing price USD 371.32	Sector 0.0
ISIN US36828A1016	ESG Risk score* #N/A #N/A	



Profile

GE Vernova Inc (formerly GE Power and GE Renewables) is the result of the restructuring of the General Electric conglomerate and is a pure player in the electrical equipment sector. The group designs, sells and services equipment for electricity generation (gas, hydro, nuclear and wind power plants), transmission and distribution, conversion, network management and storage. The company was founded on 9 November 2021 and floated on the stock exchange in April 2024. It is headquartered in Cambridge, Massachusetts and employs 80,000 people.

Strengths/opportunities

- ⚡ Megatrend in the electrification and decarbonisation of electricity
- ⚡ Wave of US investment in data centres: need for baseload electrical capacity
- ⚡ Cash-rich balance sheet enabling return to shareholders

Weaknesses/threats

- ⚡ Cyclical profile, moderated by the share of services in sales
- ⚡ Project risks
- ⚡ Profit growth rate required to justify valuation

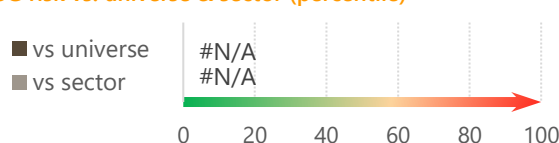
Investment case

- ⚡ According to the IEA, electricity consumption will grow 6 times faster than total energy consumption over the next 10 years, via the electrification of uses, an acceleration compared with only 2 times faster over the past decade, and the corresponding electricity production will follow the Transition trajectory. In the United States in particular, demand for electricity is set to grow again as a result of the industrial revolution in artificial intelligence and the significant need for baseload electricity in data centres.
- ⚡ GE Vernova is perfectly positioned to benefit from these major trends. In addition to the need for new equipment for power generation, transmission and distribution infrastructure and the more complex management of networks, its installed base of 1,700 GW (11x the installed electrical capacity of France for comparison) gives it a recurring and growing revenue base. This means that we can expect GEV to generate significantly positive free cash flow, on top of an already cash-rich balance sheet, alongside a sales growth profile of around 2x world GDP in our view. Internal optimisation plans will enable operating profits to grow more strongly, with Ebitda's margin expected to reach double digits (14%) by 2028 (targets raised in 12.2024) compared with 2.4% in 2023 and 6.0% expected in 2024. This means that the valuation, artificially high, is in practice clearly lower than that of peers once the very strong growth in profits is taken into account.

Valuation

The stock is trading on a fwd PE of nearly 54x, which is not very significant given the still moderate earnings levels in 2025. The PE relative to expected earnings growth over 2 years is c. 1.3x, compared with 2.1-2.7x for US peers.

ESG risk vs. universe & sector (percentile)*



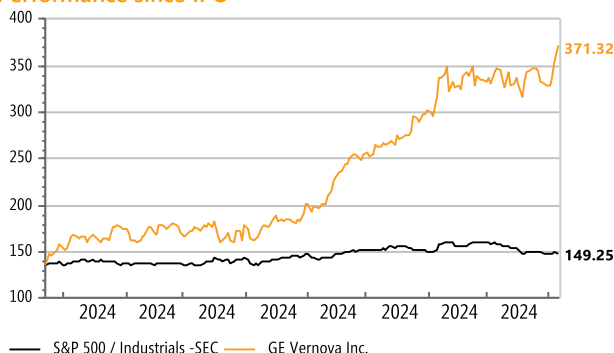
USD	12/2023	2024e	2025e
Sales revenue (mio)	33 239	35 044	36 852
Sales growth	12.1%	5.4%	5.2%
EBIT adjusted (mio)	-480	921	2 073
% of sales	-1.4%	2.6%	5.6%
Net income (mio)	-438	1 637	2 022
Net income growth	-84.0%	-473.7%	23.5%
FCF/Sales	1.3%	5.0%	5.8%
Net debt/Ebitda	-0.8x	-3.7x	-2.9x
Dividend yield	0.3%	0.0%	0.2%
PE	#N/A	142.5x	54.0x
P/BV	12.1x	9.3x	8.5x

Factset estimates

ESG - risks and key points

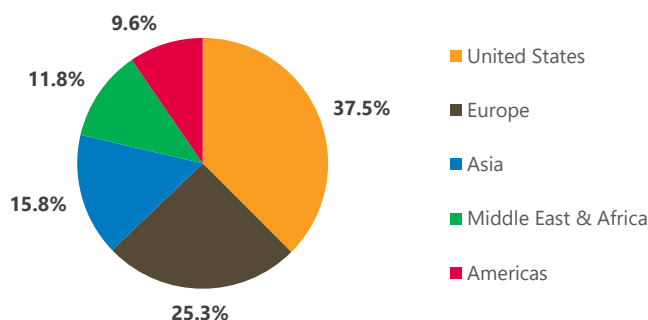
- ⚡ The recent stock market flotation means that we do not have a quantified assessment of ESG risks, nor market and sector rankings.
- ⚡ In particular, the Group is exposed to the traditional risks associated with industrial projects and the use of hazardous products, especially in transmission and distribution equipment for power grids.

Performance since IPO



Source: FactSet

Sales breakdown - 12/2023



Glossary

Satellite

From 2015, B&Cie separates its investment recommendations into Core Holdings (higher organic growth potential, high free cash flow, ROCE in excess of the cost of capital and balance sheet efficiency throughout the cycle) and Satellite Recommendations, which do not meet the above criteria but are likely to outperform in the short-to-medium term.

ESG Risk Score

At B&Cie, we take particular care to ensure that the companies in which we recommend investing are sustainable. Accordingly, our selection process takes account of risks relating to environmental, social and governance (ESG) issues. This approach is underpinned by research from Sustainalytics, the global leader in ESG and corporate governance analysis, whose methodology aims to identify major controversies and risks and assess a company's ESG risks relative to both its sector and the investment universe as a whole. The corresponding score is expressed as a percentile: the lower the overall risk score, the lower the risk within the investment universe.

b-Digital, b-Transition & b-Well

Over and above the conventional geographical and sectoral approaches to asset management, at B&Cie we believe the world of tomorrow is being shaped by structural trends. We have identified three main megatrends: ongoing digital globalisation of the economy; economic transition, particularly in the energy sector; and the quest for wellness. We believe selecting and investing in companies that play an active role in these transformations should lead to more resilient portfolios that generate higher long-term returns. Our investment recommendations in the digital globalisation space are labelled "b-Digital", those in the economic transition space "b-Transition" and those in the wellness space "b-Well". A given recommendation may fall under more than one theme, in which case it will carry the relevant matching labels.

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