

The background of the slide is a blurred financial chart, likely a candlestick or line chart, with a red semi-transparent overlay. The chart shows price fluctuations over time, with labels for 'Change on day' and 'Share Price'. The text 'ImgnTech' and 'Based on the constituents of the FTSE350 index' is visible on the chart. The overall theme is financial analysis.

# *GEV Fundamental Analysis*

*RoboRev*

*Aaron DelGrande, Maddie Osborn, Isaac Lee, Noah  
White*

*11-11-2024*

# Company Overview

Investment Thesis

Business Model

Historicals

Industry Analysis

Governance

Risk and Growth

Valuation

Conclusion

Company Name	GE Vernova Inc.
Ticker	GEV
Current Price	\$341.18
Current Date	11/8/2024
Target Price	\$293.17
Target Date	11/8/2024
Industry	Energy
Sector	Electric Power
Shares Outstanding	275.65 M
Market Cap	\$94,050 M
Monthly Trading Volume	56,550,963
Beta	1.11

*GE Vernova Inc is an electric power company. The company designs, manufactures, and delivers electric power systems and services that generate, transfer, orchestrate, convert, and store electricity. GE Vernova serves customers globally.*

## Investment Thesis

### Not to buy GEV

#### PROS

Maintained consistent revenue growth early on

Increase demand in renewables and power

Operations are well diversified in energy

#### CONS

Revenues sensitive to changes in energy prices

Current stock price overvalued



# Business Model

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GE Vernova is a leader in the electric power industry, offering a comprehensive range of technologies to generate, transfer, and store electricity, supporting energy reliability and sustainability.

## 3 Key Segments

<b>Power</b>	<b>Product/ Service Offerings:</b> Gas, Hydro, Nuclear, Steam <b>Partnerships:</b> Montana Technologies <b>Value Prop:</b> Delivers versatile, low-carbon, and reliable energy solutions across gas, hydro, nuclear, and steam technologies to meet global demand, drive the energy transition, and support energy security
<b>Wind</b>	<b>Product/ Services Offerings:</b> Offshore/ Onshore Wind, Wind Turbine Blades <b>Partnerships:</b> Squadron Energy <b>Value Prop:</b> Delivers advanced onshore and offshore wind solutions, including powerful turbines and reliable blades, to support clean, renewable energy growth worldwide
<b>Electrification</b>	<b>Product/ Service Offerings:</b> Software, Grid Solutions, Power Conversion, Solar/Storage Solution <b>Partnerships:</b> AWS, Dragos Inc., EnergyHub, Systems With Intelligence <b>Value Prop:</b> Powers a smarter, cleaner energy future with advanced software, grid, and renewable solutions for reliable, sustainable energy



# Historical Analysis – Timeline

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- **1892:** GE was founded
- **1892:** GE IPO on NYSE
- **1930-40:** GE played a key role in the defense and energy supply during WWII, which accelerated their growth in power systems
- **1960:** GE enters market in Europe and Asia, pioneers high-capacity gas turbines for power generation
- **1980:** GE enters renewable energy space alongside rising environmental concerns
- **2002:** GE acquires Enron Wind and establishes itself as a player in the wind power industry
- **2015:** GE acquires ALstoms power and grid business, expanding its global footprint in power generation, services, and grid tech
- **February 14, 2024:** GEV received approval from the US Nuclear Regulatory Commission (NRC) to manufacture, ship, and analyze the performance of nuclear fuel with Uranium-235
- **March 19, 2024:** GE common stock will receive 1 share of GEV for every 4 shares of GE stock held
- **April 2, 2024:** GE spinoff into GE Vernova, GE Aerospace, and GE Healthcare finalized. GEV now positioned to capitalize on increase demand in decarbonization and renewable energy
- **October 2024:** Failure of an offshore wind turbine at the vineyard wind site



# Historical Analysis – Financials

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- *Stock is up 142% since spin off on April 1, 2024*
- *Third quarter earnings beat analyst projections by 1.7% ; EPS lag*
- *Currently trading at an all time high*



# Financial Analysis

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## Financial Statement Overview

In millions

Revenue	\$ 24,376
Net Income	\$ 1,075
Operating Margin	5.01%
Operating Cash Flow	\$ 1,662
CAPEX	\$ 533
Free Cash Flow	\$1,129
Total Assets	\$ 50,853
Total Liabilities	\$ 40,336
Dividends	Not yet paying
ROA	2.11%
ROE	10.22%
ROI	6.93%
Operating Margin	5.01%
Goodwill / Intangibles	\$5,315

## Company Specific

- Data based off trailing 9 months ending Sep 30, 2024
- GE prior to spinoff reported consistent year over year revenue growth
- For every 4 shares of GE, common shareholders received 1 share GEV
- Low debt due to \$3B revolving credit facility from GE
- High goodwill due to acquisition of Alstom for \$10.8B



# Pestel Analysis

Investment Thesis	Business Model	Historicals	<b>Industry Analysis</b>	Governance	Risk and Growth	Valuation	Conclusion
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**P**

Political

Possible increased regulations with Trump and all republican congress  
  
May push small players out

**E**

Economical

Increased economic growth within renewable energy sector

**S**

Social

US prioritizing energy infrastructure alongside AI boom  
  
Likely turn to AI for solutions with infrastructure

**T**

Technological

As AI advances, increasing amounts of power is demanded  
  
ChatGPT 10x more energy than google search

**E**

Environmental

Potential deceleration of climate initiatives and expansion of oil and gas production  
  
EIA expects 2023 utility-scale solar installations to more than double YoY

**L**

Legal

Environmental Regulations (EPA)  
  
Federal Energy Regulatory Commission (FERC) oversees electricity, oil, and natural gas, setting standards that utilities must meet



# Porters 5 Forces

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## **Threat of New Entrants** → (Low)

- Significant legal challenges related to regulatory and environmental compliance
- Start up costs are high
- Hefty labor and capital expense

## **Threat of Substitutes** → (Moderate)

- Cost parity of renewable energy sources compared to traditional
- Technological Advancements: Innovations in any substitute technology could shift the threat level
- GEV needs to keep up with competitive pricing and technological advancements within the industry

## **Bargaining Power of Buyers** → (Moderate)

- Consumer choice for power grows
- Buyer Demographic: Governments, utilities, and large corporations seeking renewable energy solutions
- Large scale buyers often seek more competitive pricing

## **Bargaining Power of Suppliers** → (Moderate)

- Rare earth metals for wind turbines, meaning limited number of suppliers
- GE Vernova's scale allows some negotiation leverage and diversification of suppliers, in addition to their partnerships

## **Rivalry Among Existing Competitors** → (High)

- Rapid expansion of the renewable energy sector intensifies rivalry as firms vie for contracts and market share





# Competitive Landscape

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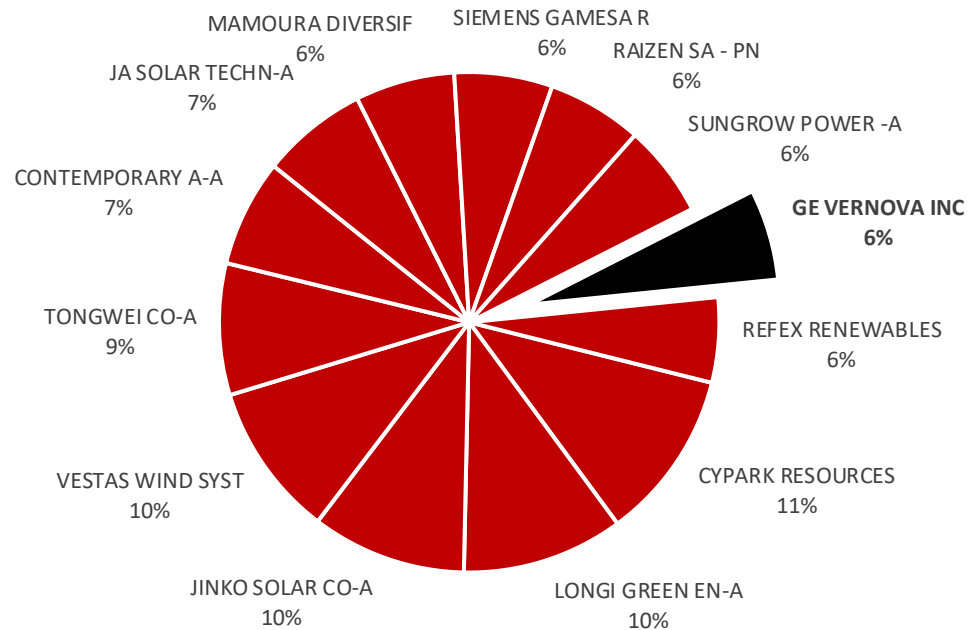
Governance

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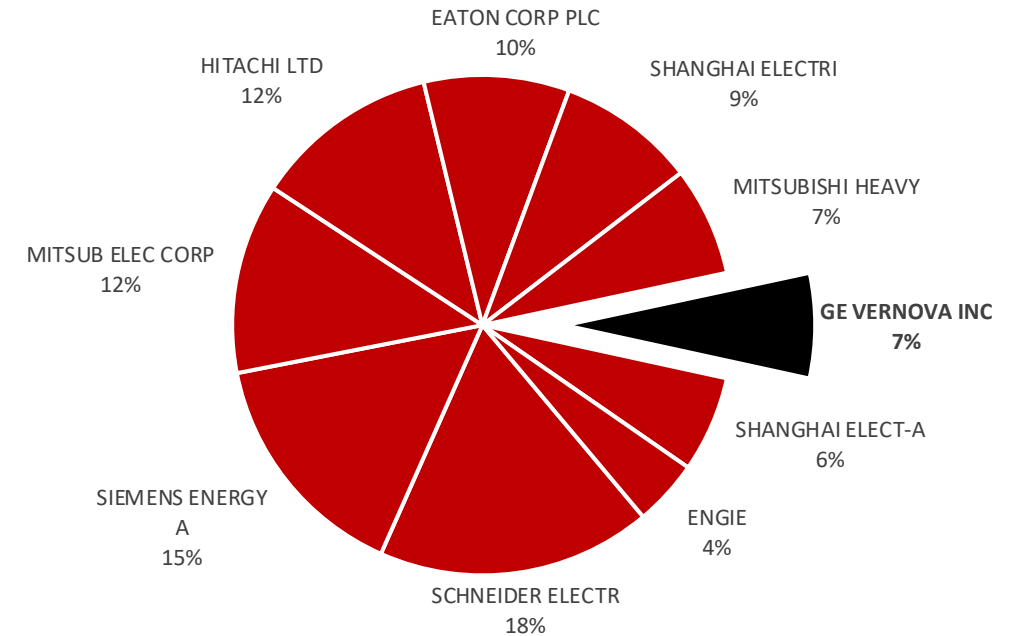
Conclusion

## Renewable Energy



The global renewable energy market is expected to grow at a CAGR of **11.72%** to **2 trillion USD** over the next 6 years

## Electrical Power Equipment



The global electrical power equipment market is expected to grow at a CAGR of **5.49%** to reach **343 billion USD** over the next 8 years



# Competitive Landscape

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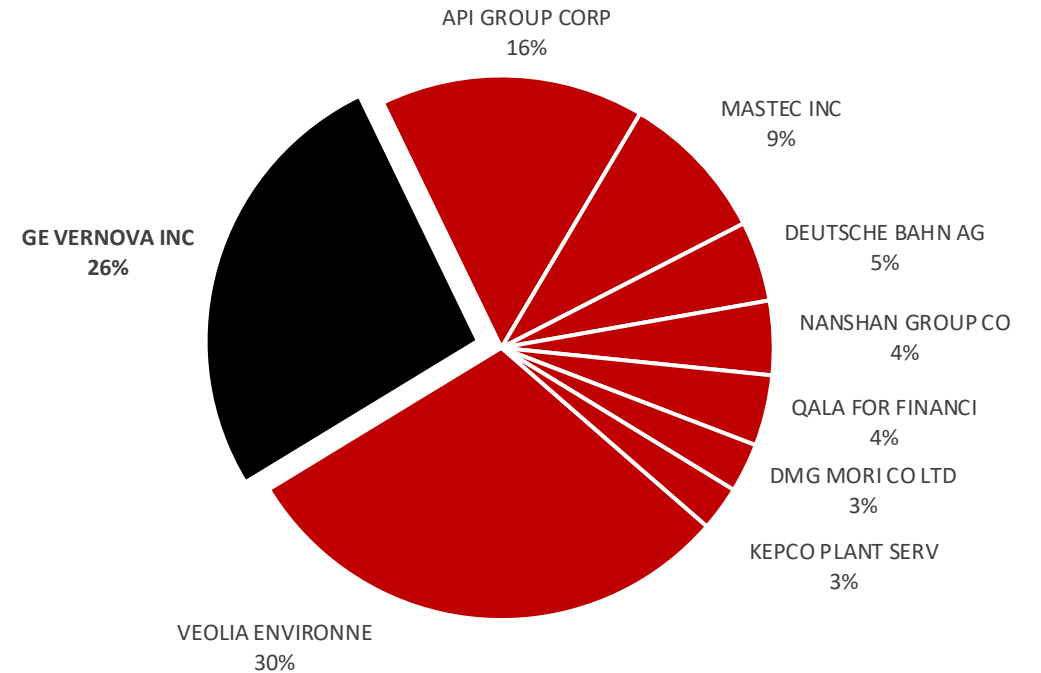
Risk and Growth

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The global industrial services market is projected to grow at a CAGR of **5.7%** to reach **50.09** billion USD by 2030

## Industrial Maintenance Services



# Management

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**Scott Strazik**  
**CEO**

Over 20 years at GE; CEO since 2022.



**Jessica Uhl**  
**President**

Joined in 2023; former CFO of Shell.



**Kenneth Parks**  
**CFO**

Joined in 2022; previously CFO at Fitbit and Synopsys.

CEO, Scott Strazik, receives an annual compensation of about \$7.33 million. His pay is structured with 16.5% as a base salary with 83.5% dependent on performance-based bonuses. Strazik also holds 0.027% of the company's shares, valued at approximately \$25.02 million, which ties his financial interests closely to the company's long-term success.



# SWOT Analysis

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## Strengths

- *GEVs technology provides 25% of the world's electricity*
- *Diversified over three different sectors: Power, Wind, Electrification*
- *Management team is very strong with CEO's overseeing each of these different sectors*

## Weaknesses

- *Current market volatility and economic challenges*
- *Challenges in wind energy segment*
- *Supply chain vulnerabilities – raw materials for blades*

## Opportunities

- *Well positioned to capitalize on AI and Tech expansion*
- *GEV's spinoff from GE allows them to operate as a stand-alone company so they can focus on growth*
- *Global shift to decarbonization and renewables*

## Threats

- *Competitive industry*
- *Government policy and regulatory landscape in energy sector*
- *Transition to a stand-alone company*



# DCF - WACC

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## WACC Calculations

### Capital Structure

Total Debt	\$100.00
Total Equity	\$93,722.15
Debt-to-Total Capitalization	0.1%
Equity-to-Total Capitalization	99.9%

### Cost of Debt

Cost of Debt	2.6%
Tax Rate	18.9%
After-Tax Cost of Debt	2.1%

### Cost of Equity

Risk-free Rate	1.0%
Market Risk Premium	1.3%
Levered Beta	1.11
Cost of Equity	2.5%

<b>WACC</b>	<b>2.5%</b>
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- *Cost of Debt, Risk-Free Rate, Market Risk Premium converted to quarterly rates*
- *Risk-free rate: 5-year treasury*
- *Capital Structure contains minimal debt*



# DCF – Assumptions Base

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## Select Operating Data

Period	Historical Data				Projected Annual Forecast				
	1Q 2024	2Q 2024	3Q 2024	4Q 2024	1Q 2025	2Q 2025	3Q 2025	4Q 2025	5
Revenue	\$7,260.0	\$8,204.0	\$8,913.0	\$10,123.4	\$11,510.3	\$13,014.7	\$14,810.7	\$16,965.7	
Growth Rate (%)		13.0%	8.6%	13.6%	13.7%	13.1%	13.8%	14.6%	
EBITDA	\$189.0	\$524.0	\$243.0	\$658.0	\$785.6	\$932.7	\$1,114.4	\$1,340.4	
EBITDA Margin (%)	2.6%	6.4%	2.7%	6.5%	6.8%	7.2%	7.5%	7.9%	
EBIT	(20.0)	287.0	(46.0)	\$354.0	\$439.9	\$541.8	\$669.6	\$830.9	
EBIT Margin (%)	(0.3%)	3.5%	(0.5%)	3.5%	3.8%	4.2%	4.5%	4.9%	
Depreciation & Amortization	\$209.0	\$237.0	\$289.0	\$304.0	\$345.7	\$390.9	\$444.8	\$509.5	
D&A as a % of revenue	2.9%	2.9%	3.2%	3.0%	3.0%	3.0%	3.0%	3.0%	
Cash growth (%)	44.8%	70.4%	83.0%	84.6%	86.3%	88.0%	89.8%	91.6%	
Accounts Receivable Growth (%)	97.7%	78.4%	81.1%	79.7%	79.7%	79.7%	79.7%	79.7%	
Inventories Growth (%)	122.0%	113.9%	105.2%	97.8%	91.0%	84.6%	78.7%	73.2%	
Prepaid Expenses Growth (%)	6.4%	5.6%	6.2%	6.1%	6.1%	6.1%	6.1%	6.1%	
Accounts Payable Growth (%)	106.4%	96.1%	101.0%	100.7%	100.2%	99.7%	99.2%	98.7%	
Accrued Expenses Growth (%)	60.6%	56.6%	56.6%	56.1%	55.5%	54.9%	54.4%	53.8%	
Capital Expenditures Growth (%)	3.0%	1.9%	1.8%	2.2%	2.2%	2.2%	2.2%	2.2%	



# DCF - Calculations

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Sum of present values of FCFs \$5,589.5

## Terminal Value

*Growth in perpetuity method:*

Long term growth rate	0.6%
WACC	2.5%
Free cash flow (t+1)	1,662.4
Terminal Value	84,960.2
<b>Present Value of Terminal Value</b>	<b>\$74,994.4</b>

## Enterprise Value to Equity Value

Enterprise Value	\$80,583.9
Less: Net debt	(7,295.0)
<b>Equity Value</b>	<b>\$87,878.9</b>
Diluted Shares Outstanding	274.7
<b>Equity Value Per Share</b>	<b>\$319.91</b>

- Long term growth rate is a conservative view of U.S. GDP perpetuity growth
- Originally 2.3% shown quarterly

DCF

Implied Share Price

Approach	Base	Downside	Upside
Perpetuity	\$319.91	\$242.19	\$397.73



# Multiples

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Peer Group Relevance			
Industry	Sector	Largest Geographical Segment	Largest Revenue Segment
Renewable	Utilities	North America	Power
Renewable	Utilities	North America	Power
Regulated Electric	Utilities	North America	Natural Gas
Regulated Electric	Utilities	North America	Power & Light
Regulated Electric	Utilities	North America	Electric Utilities & Renewables
Regulated Electric	Utilities	North America	Nuclear Power

Company Name	Market and Financial Data						Valuation		
	Price	Market Cap (B)	Enterprise Value (M)	LTM Sales (M)	LTM EBITDA (M)	Earnings (M)	EV / Sales	EV / EBITDA	P/E
Target									
GE Vernova Inc. (GEV)	\$341.18	\$94.05	\$93,120.00	\$34,422.00	\$1,656.00	\$1,163.00	2.7x	56.2x	80.79
Comparable companies									
Constellation Energy Corporation (CEG)	239.37	81.49	81,490.00	23,982.00	6,678.00	2,860.00	3.4x	12.2x	26.39
The Southern Company (SO)	88.64	97.12	161,190.00	26,428.00	13,136.00	4,722.00	6.1x	2.0x	20.66
NextEra Energy, Inc. (NEE)	76.97	158.28	239,790.00	26,246.00	15,513.00	6,953.00	9.1x	15.5x	22.84
Duke Energy Corporation (DUK)	91.75	87.47	173,090.00	30,209.00	14,556.00	4,451.00	1.6x	11.9x	20.33
Dominion Energy, Inc. (D)	57.79	48.54	94,140.00	14,593.00	7,106.00	2,362.00	1.6x	13.2x	21.32

Mean	4.4x	11.0x	22.31
Median	3.4x	12.2x	21.3x
25 Percentile	1.6x	11.9x	20.66
75 Percentile	6.1x	13.2x	22.84
Standard deviation	3.254	5.195	2.477





# Precedent Transactions

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## Precedent Transactions

Date	Target	Buyer	Target Business Description	Transaction Value	Revenue	EBITDA	EV / Revenue	EV / EBITDA	
1/8/2019	Gulf Power Company	NextEra Energy	Energy utility providing electricity in Florida.	\$6,500.00	\$2,800.00	\$800.00	2.32x	8.13x	
8/20/2023	Pioneer Natural Resources	Exxon Mobil	Oil and gas exploration and refining	64,500	19,680	9,228.00	3.46x	7.19x	
9/18/2017	sPower	AES Corporation	Renewable energy developer focused on solar power in the U.S.	1,500	500	150.00	3.00x	10.00x	
10/23/2023	Hess Corporation	Chevron Corporation	Oil, gas, and renewable energy	60,000	12,713	7,324.00	4.11x	7.14x	
11/28/2017	TerraForm Power	Brookfield Renewable Partners	Renewable energy company with wind and solar assets.	3,500	600	300.00	5.83x	11.67x	
							Mean	3.74x	8.83x
							Median	3.46x	8.13x
							25 Percentile	3.00x	7.19x
							75 Percentile	4.11x	10.00x
							Standard deviation	1.337	1.967



# Weighted Valuation

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**Valuation**

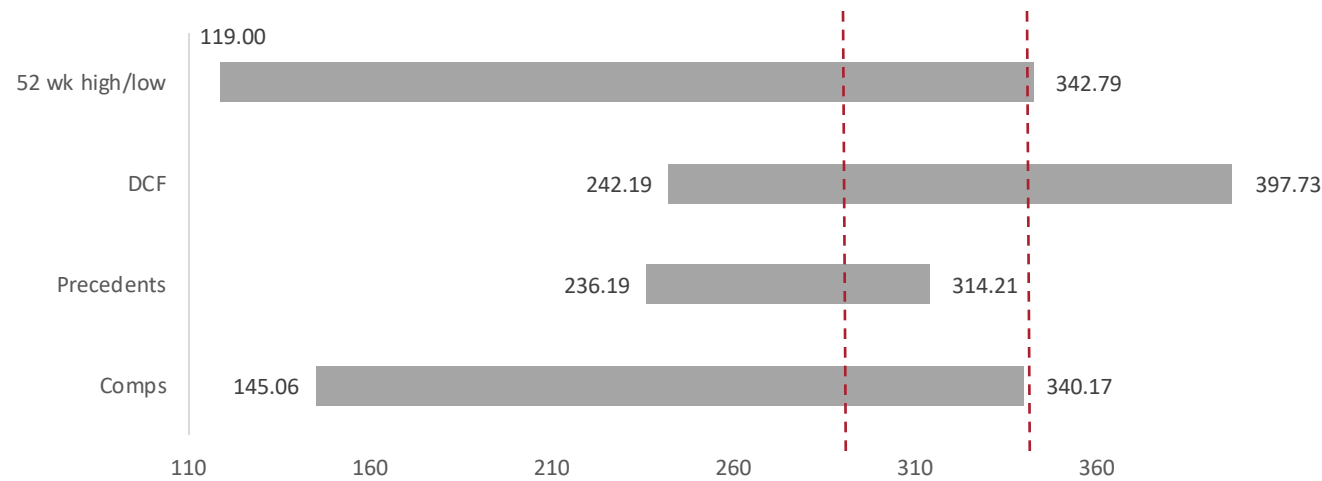
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## Football Field Data

	Low bar	Difference	High Bar
Comps	145.06	195.11	340.17
Precedents	236.19	78.02	314.21
DCF	242.19	155.54	397.73
52 wk high/low	119.00	223.79	342.79

Implied Stock Price	
Total DCF	\$319.91
Comparables	\$261.91
Precedent Transactions	\$287.74

Valuation Summary - Equity Value per Share



Weights	
DCF	45%
Comparables	35%
Precedent Transactions	20%

**Target Price** 293.17

**Current price** 341.18



# Conclusion

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Investment Thesis/Company Overview – *Not to buy GEV*

Business Model – Diversified energy portfolio consisting of products and services within wind, power, and electrification

Industry Analysis – Well positioned to capitalize on increase in energy consumption due to AI boom

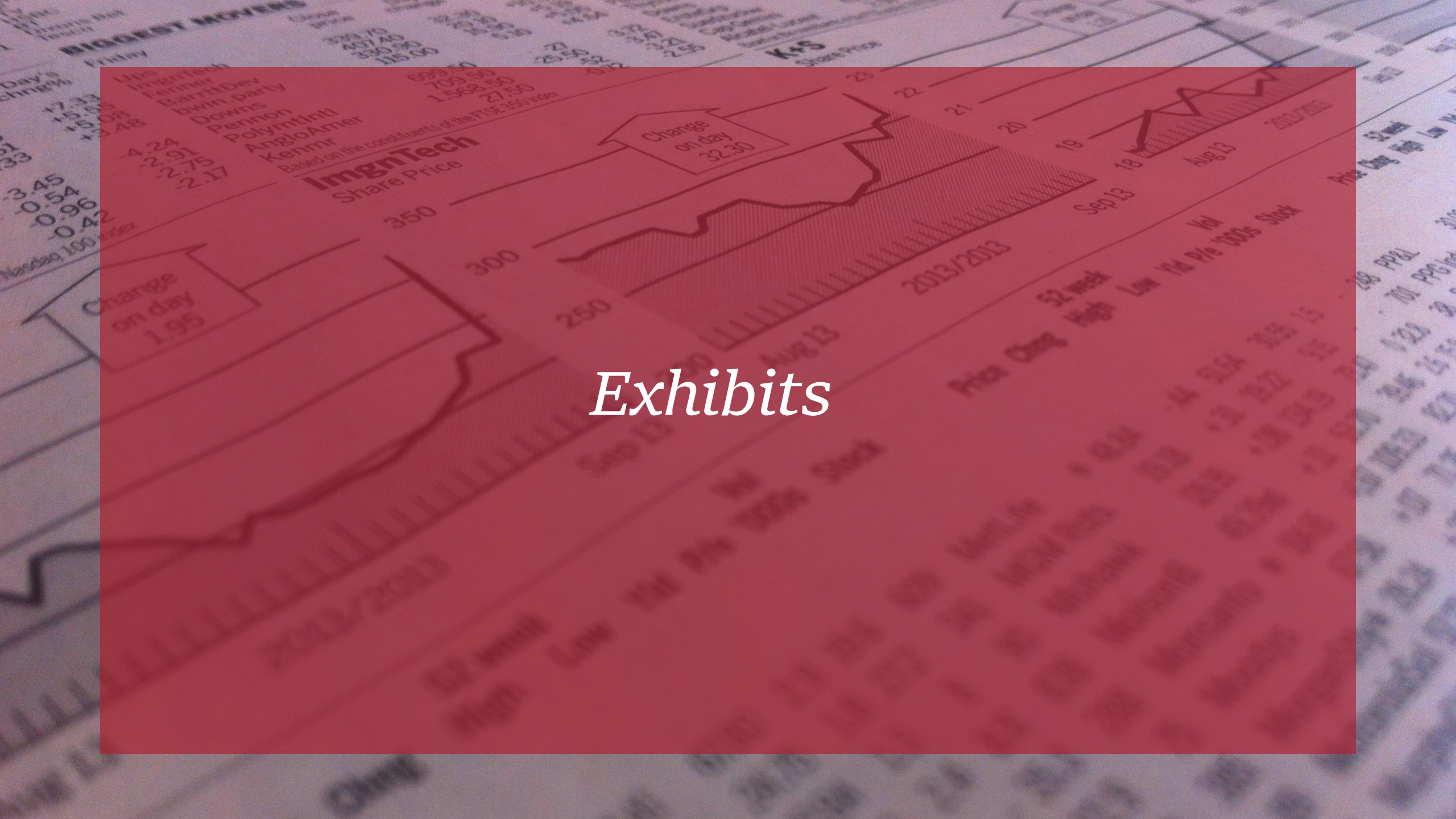
Risks and Growth – Highly competitive industry, but spinoff has created opportunity for more growth

Governance – Strong management team with equity pay packages aligning with industry standards

Valuation – Implied Stock Price at \$293.17, which is 14.07% lower than current

Recommendation - Do not buy, monitor until pitch 3 (JAN 2025)





# *Exhibits*

# US Based Growth

- The CAGR for US based Renewable Energy sector is 12.03% growing to almost 800 Gigawatts by 2029, Top 10 in US based on revenue
- Wind power has a CAGR of 6% over the next 5 years; Number 1 in US Wind market



# Current Regulations

## Current Regulatory Landscape Supporting GE Vernova:

- **Inflation Reduction Act:** Provides significant tax incentives and funding for renewable energy projects, supporting GE's initiatives in wind, solar, and nuclear power.
- **EPA Emission Standards:** New regulations to cut greenhouse gas emissions promote cleaner power generation, aligning with GE's focus on decarbonization technology.
- **Federal Energy Regulatory Commission Rules:** Rules for expanding renewable energy transmission infrastructure enable easier integration of wind and solar into the national grid, directly benefiting GE Vernova's grid and electrification solutions.

## Potential Shifts Under Trump's Administration:

- **Deregulation of Environmental Standards:** Trump's policies could roll back emissions regulations, possibly slowing the momentum of renewable energy initiatives and affecting demand for cleaner power solutions.
- **Increased Fossil Fuel Production:** Emphasis on oil and gas production may impact funding and incentives for renewables, shifting the market landscape and potentially challenging growth in renewable power and electrification technologies.



# AEP sues GE Vernova over 1.5GW turbine problems

American Electric Power has filed legal action against GE Vernova over alleged defects in turbines used at three onshore wind farms totaling 1.5GW in US state Oklahoma.

AEP filed a lawsuit with the New York Supreme Court on 28th June claiming that the turbines have “exhibited numerous material defects on major components and experienced several complete failures” shortly after entering commercial operation. The turbines are used at the 999MW Traverse, the 287MW Maverick and 199MW Sundance projects.

GE Vernova said it is reviewing the claim and would continue to work closely with AEP.



# GE Settlement with SGRE

*Resolves Previously Reported Wind Turbine Patent Disputes in their Entirety*

Boston, MA – March 31, 2023 – GE today issued the following statement regarding its previously reported wind turbine technology patent disputes with Siemens Gamesa Renewable Energy S.A.:

“GE and SGRE have reached an amicable settlement of all their wind turbine technology patent disputes in the United States and Europe on confidential terms and have granted each other and their respective subsidiaries worldwide cross licenses under the asserted patent families, for the life of those patent families.”

The terms of the settlement are confidential. GE does not plan to comment further on this topic.





# Revenue Breakdown

- GEV derives approximately 47% of its total revenue from the United States
- While the company holds a significant presence in the U.S. energy sector, specific figures detailing the exact percentage of U.S. electricity generated using GE Vernova's technologies are not publicly disclosed.
- Although, GE Vernova has the largest installed base of onshore wind turbines in the United States, indicating a substantial contribution to the nation's renewable energy capacity.



# Wind Turbine Blade Failure at Vineyard Wind Fields

- The blade's failure was likely due to a manufacturing deviation related to insufficient bonding.
  - GEV has emphasized that there is no indication of an engineering design flaw
- How has GEV responded?
  - Initiated controlled cutting activities to remove damaged blade sections without further polluting the ocean
  - Implemented corrective actions to address this issues and prevent similar defects
  - Preparing for return to service
    - Blade quality reviews and process
    - Reexamination of >8300 ultrasound images per blade and physical blade inspections
    - Also plan to remove some blades from vineyard wind farm while strengthening other blades needed to support safety and operational readiness

