



GE VERNOVA

Caliper Equity Research



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COMPANY OVERVIEW

GE Vernova Inc. is a global leader in the field of the electric power industry. It provides products and services that generate, transfer convert and store electricity.

COMPANY BACKGROUND

The company operates as a spinoff of General Electrics. The 2nd of April 2024 GE Vernova became an independent publicly traded company following its completed separation from the General Electric Company (now operating as GE Aerospace). Vernova is a purpose-built energy entity positioned to help accelerate the global energy transition while delivering reliable, affordable and sustainable power.

BUSINESS SEGMENTS

GE Vernova conducts its activities through 3 main business segments:

- **Power:** This segment includes gas turbines (heavy-duty and aeroderivative), nuclear technology (reactor design and fuel through other joint ventures) hydro power solutions and steam power. This segment's purpose is to be a foundation for dispatchable and stable power.
- **Electrification:** Focused on orchestrating energy from production to consumption. This segment provides grid equipment (switchgears and transformers), transmission (high voltage direct current solutions) grid automation and power software
- **Wind:** This segment includes onshore and offshore wind production technologies like typical wind turbines blade manufacturing.

OPERATING STRENGTH AND ASSET BASE

As of the first two quarters of 2026, the primary segments that continue to drive the company's growth and profitability are Power and Electrification. Conversely Wind keeps being the weakest segment experiencing challenges in execution and costs particularly in the offshore business. The company also benefits from installed bases which generate recurring revenues. The installed equipment generates around 25% of the world's electricity, and it accounts for 45% of total revenues from 2025. This revenue source is characterized by high margins and is recurring. Lastly, the company has strong client retention with many of the world's leading utilities and electricity users securing multi-year service agreements that average a 10-year remaining life in the Gas Power segment.

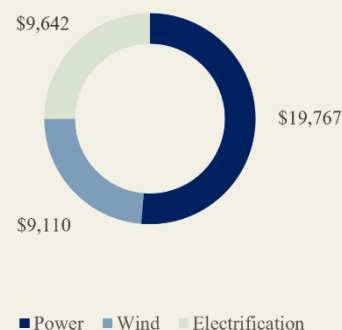
REVENUE AND GEOGRAPHIC EXPOSURE

Revenue split: As of 2025, the Revenue before deducting the segment "Elimination and Others" (accounting for \$451 Million) amounted to \$38,519 Millions and its segment split was the following:

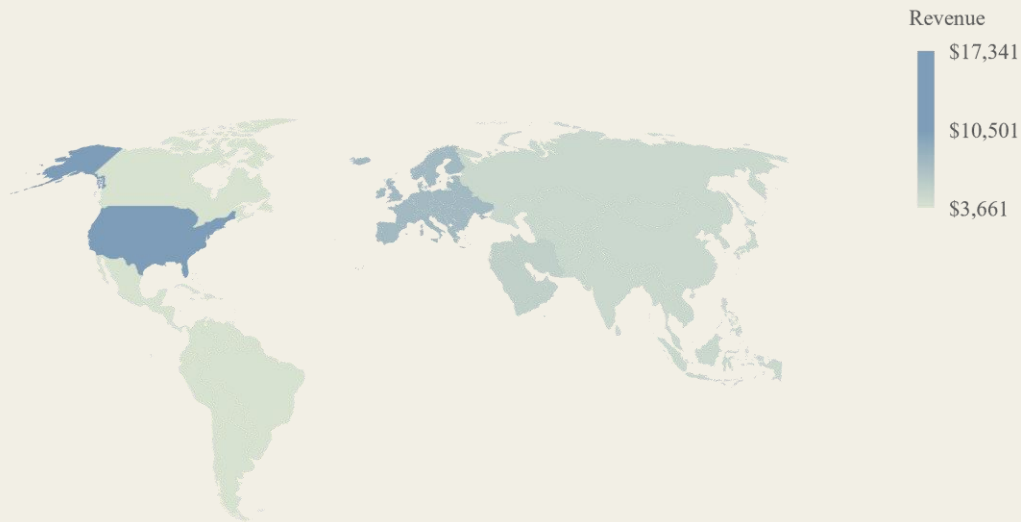
- **Power:** \$19,767 Million (~51% of Revenue)
- **Electrification:** \$9,642 Million (~25% of Revenue)
- **Wind:** \$9,110 Million (~24% of Revenue)

Geographic exposure: GE Vernova operates in more than 100 countries therefore having a multitude of exposures. Its 2025 Revenue by destination was:

Revenue by Segment



- United States: \$17,341 Million
- Non-U.S.:
 - Europe: \$7,594 Million
 - Asia: \$4,629 Million
 - Americas: \$3,661 Million
 - Middles East: \$5,389 Million



MAJOR CUSTOMERS

GE Vernova serves a diverse, global customer base including:

- Utilities: Public and private power utilities and independent power producers.
- Governments: Sovereign governments, state-owned companies, and other public sector entities.
- Industrial Firms: Large-scale industrial users, process manufacturers, and tech "hyperscale's" requiring massive power for data centers and AI infrastructure

INDUSTRY ANALYSIS

The company's performance is currently shaped by a "Supercycle" of demand driven by the dual imperatives of electrification and decarbonization.

DRIVERS OF ELECTRICITY DEMAND AND AI DATA CENTERS

Global electricity demand is projected to double by 2050, significantly outpacing overall energy demand growth. A primary catalyst is the surge in AI-driven data centers, which require massive, mission-critical power. Globally, data center electricity consumption is expected to double by 2030, with the United States alone accounting for nearly half of this growth. By 2030, "AI factories" could reach 1.5 GW in capacity, equivalent to the output of a standard nuclear plant. GE Vernova has noted that its Electrification segment is benefiting directly from this trend, specifically citing the key role data centers play in the development of AI.

GRID MODERNIZATION AND INFRASTRUCTURE INVESTMENT

The energy transition is placing unprecedented stress on aging transmission infrastructure. Existing grids, designed for steady fossil fuel generation, must be modernized to handle the decentralized and intermittent nature of renewable energy. The global grid-related market is forecast to grow to \$450 billion by 2035. GE Vernova is capturing this growth through its Electrification segment, which provides high-voltage direct current (HVDC) solutions and switchgear necessary to interconnect renewables and move bulk power. In the second quarter of 2026, this segment saw 68% revenue growth, largely driven by grid equipment demand.

ENERGY TRANSITION: GAS POWER AND NUCLEAR REVIVAL

- **Gas vs. Renewables:** While renewables are the fastest-growing capacity source, natural gas is increasingly viewed as a "fundamental source of reliable and dispatchable power". It serves as a necessary bridge to maintain grid stability for hyperscalers and industrial firms during the transition.
- **Nuclear Revival:** There is a resurgent interest in nuclear energy to meet high-load AI demands while ensuring energy security. GE Vernova is a first-mover in the Small Modular Reactor (SMR) market, having secured the first commercial SMR contract in North America for its BWRX-300 technology.

SEGMENT CHALLENGES: THE WIND HEADWINDS

Despite the high demand for renewable energy, GE Vernova's Wind segment remains its weakest link [MD&A, 44]. The business faces significant execution challenges, specifically in Offshore Wind, where manufacturing deviations (such as the Vineyard Wind blade event) and project delays led to over \$1 billion in incremental contract losses in 2024 and 2025. The segment is currently undergoing a "selectivity strategy" to reduce product variants and operate in fewer, more profitable markets.

COMPETITIVE LANDSCAPE

GE Vernova competes with several multinational entities across its three segments:

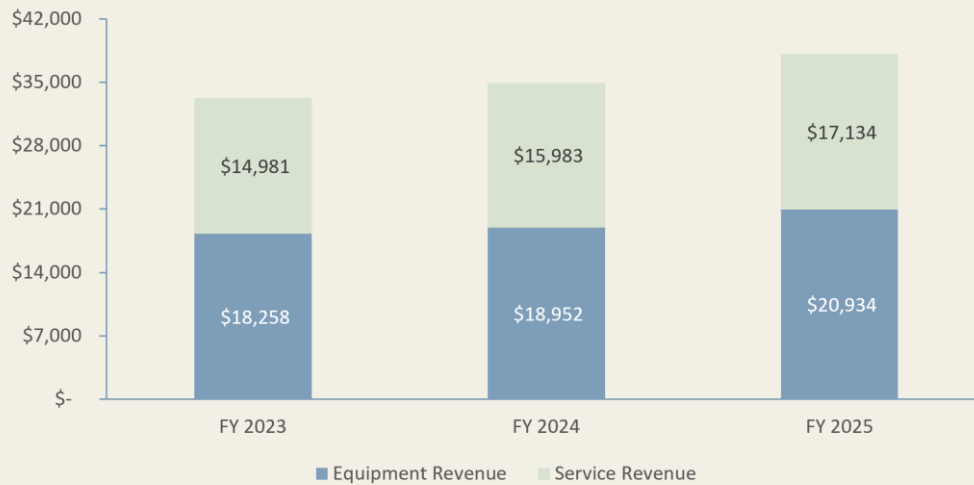
Siemens Energy	Primary rival in Gas and Wind. Like GE Vernova, its wind business (Siemens Gamesa) has faced severe quality issues and project delays.
ABB	A leader in electrification and automation; focusing on "source to socket" infrastructure. ABB has a strategic partnership with NVIDIA for next-generation 800V DC data centers.
Eaton	Focuses on intelligent power management. It is heavily positioned in the data center and aerospace markets and is also collaborating with NVIDIA on AI computing infrastructure.
Schneider Electric	A key competitor in the Electrification space, competing on digital grid solutions and low-to-medium voltage equipment.

In summary, GE Vernova is positioned to benefit from a historic surge in power demand, but its long-term success depends on resolving execution issues in Wind while scaling its Electrification and Nuclear technologies to meet the specific requirements of the AI era.

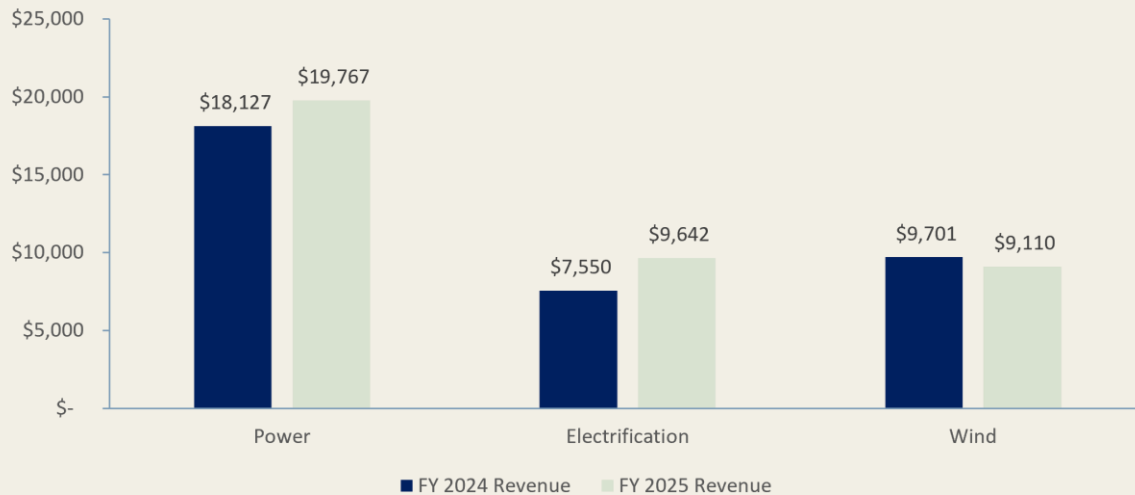
FINANCIAL ANALYSIS

REVENUE ANALYSIS

GE Vernova has demonstrated a consistent upward trajectory in revenue over the last three fiscal years, driven by the global energy transition "supercycle". The total revenue grew by 14.5% from 2023 to 2025. 14.7% for equipment revenue and 14.4% for the service revenue.



Segment Growth (FY 2024–2025) The company's growth is currently unbalanced, with massive surges in Electrification and steady gains in Power offsetting a contraction in the Wind segment.



The percentage change YoY from 2024 to 2025 for Power, Electrification and Wind were +9.0%, +27.7% and -6.1% respectively. The key drivers for the segments were heavy-duty gas deliveries & pricing for Power, Grid Solutions (HVDC & switchgear) for Electrification and slower execution & footprint reduction for Wind.

MARGIN ANALYSIS

Profitability metrics improved significantly as the company transitioned away from its restructuring phase.

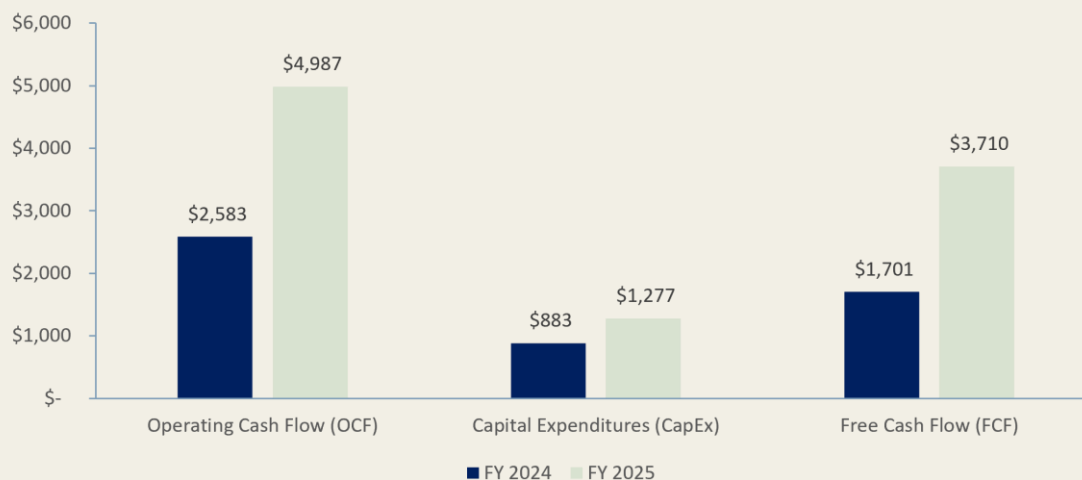
Margin Type	FY 2023	FY 2024	FY 2025	Basis Point Change (2024-25)
Gross Margin	14.5%	17.4%	19.8%	+240 bps
Operating Margin	(2.8)%	1.3%	3.6%	+230 bps
Adj. EBITDA Margin	2.4%	5.8%	8.4%	+260 bps

Why Margins Changed:

- **Expansion Drivers:** The Electrification segment saw its EBITDA margin jump from 9.0% to 14.9% due to strong volume, favorable price, and productivity at Grid Solutions. Power improved through higher Gas Power parts volume and favorable mix.
- **Contraction Pressures:** The Wind segment remained a drag on consolidated margins, ending 2025 with a (6.6)% EBITDA margin. While Wind results improved from (10.5)% in 2023, the segment continues to face project delays and the impact of global tariffs.
- **Corporate Costs:** Margins were also impacted by the higher costs of operating as a standalone public company following the 2024 spin-off.

CASH FLOW ANALYSIS

GE Vernova's cash generation has strengthened rapidly, providing the liquidity needed for major acquisitions like Prolec GE.



Insights into Cash Generation:

- **Working Capital Efficiency:** The primary driver of the \$5.0 billion OCF in 2025 was an \$8.0 billion inflow from contract liabilities, reflecting massive down payments on new orders for Gas Power and Electrification projects.
- **Investment for Growth:** CapEx increased by 45% in 2025 to support new product introductions and expanded manufacturing capacity for "workhorse" products.
- **Non-Recurring Impacts:** 2024 cash flows were uniquely bolstered by a \$0.3 billion arbitration refund and proceeds from the sale of nuclear activities to EDF.

BALANCE SHEET & LIQUIDITY

As of year-end 2025, GE Vernova maintained a "net cash" position, though this was expected to change following the 2026 Prolec GE acquisition.

Balance Sheet Item	FY 2025 Value	Description
Total Debt	\$352 M	Incl. \$278M in finance leases; core debt <\$0.1B.
Cash & Equivalents	\$8,848 M	Includes \$438M of restricted cash.
Net Debt (Cash)	(\$8,496) M	Substantial net cash position (Total Debt minus Cash).
Total Assets	\$63,016 M	Growth driven by deferred tax assets and inventory builds.
Liquidity	\$11,848 M	Total of \$8.8B cash and \$3.0B undrawn Revolver.

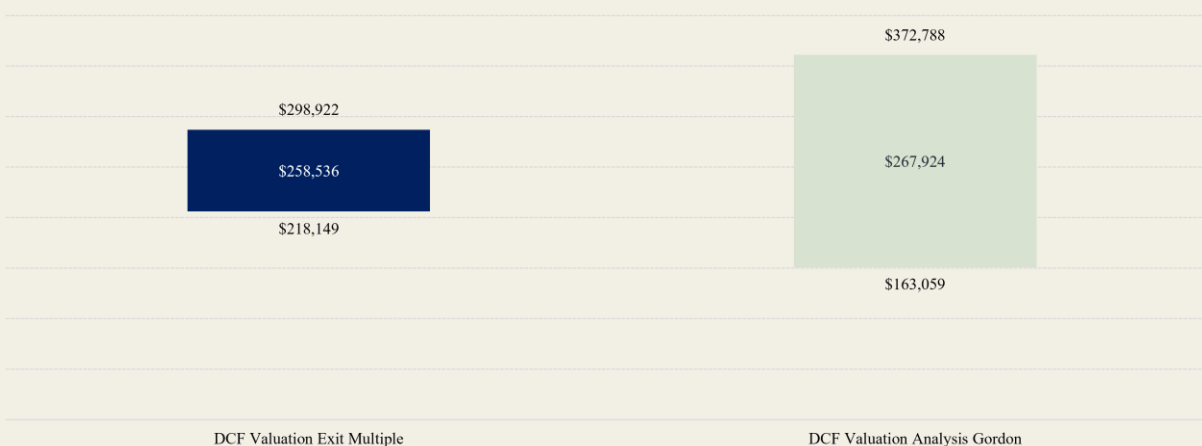
KEY FINANCIAL RATIOS (FY 2025)

These ratios reflect a company with strong top-line growth and a highly conservative debt profile.

Ratio	FY 2025 Value	Note
Revenue Growth	9.0%	Driven by Electrification "supercycle".
Adj. EBITDA Margin	8.4%	Up from 5.8% in 2024.
ROE (Return on Equity)	39.7%	Net income \$4.9B / Total equity \$12.3B.
ROIC (Return on Invested Cap.)	~28%	Calculated using Net Op. Profit / Total Capital.
FCF Margin	9.7%	FCF \$3.7B / Total revenue \$38.1B.

VALUATION

Enterprise Value Based on Methods



VALUATION METHODS

To estimate GE Vernova's intrinsic value, two complementary valuation methods were employed: a discounted cash flow (DCF) model and a relative valuation using trading multiples. The DCF estimates the company's intrinsic value based on projected future cash flows, while the peer multiple approach assesses how the market values comparable industrial companies.

DCF FORECAST ASSUMPTIONS

	2026F	2027F	2028F	2029F	2030F	Term
Sales Volume Growth Equipment	18.0%	17.5%	12.0%	12.5%	12.0%	12.0%
Sales Volume Growth Services	10.0%	8.0%	8.0%	8.0%	8.0%	8.0%
COGS % Equipment	42.0%	40.5%	39.0%	39.0%	39.0%	39.0%
COGS % Services	22.0%	21.5%	21.0%	21.0%	21.0%	21.0%
Capital Expenditure (\$ Million)	1,000	1,100	1,200	1,300	1,400	1,500
Inflation Rate	3.0%	2.5%	2.2%	2.0%	2.0%	2.0%
Working Capital:						
Accounts Receivable Days	93	92	91	90	89	89
Inventory Days	117	116	115	114	113	113
Accounts Payable Days	110	110	110	110	110	110

The discounted cash flow (DCF) valuation is based on GE Vernova's recent financial performance, management's long-term strategic objectives, and prevailing industry trends. The principal forecasting assumptions are discussed below.

Revenue Growth

Revenue growth is forecast separately for equipment and services, reflecting the distinct drivers of each business. Equipment revenue is projected to grow by 18.0% in 2026, gradually moderating to 12.0% over the forecast period. This assumption is supported by GE Vernova's strong commercial momentum, highlighted by a Remaining Performance Obligation (RPO) of \$176.3 billion as of June 2026, representing a significant increase from the prior year. Growth is expected to be driven primarily by sustained demand for grid infrastructure and power generation equipment, particularly within the Electrification segment following the Prolec GE acquisition. As the order backlog is converted into revenue, growth is expected to normalize toward a long-term rate that remains above historical industrial averages.

Service revenue is forecast to increase by 10.0% in 2026, stabilizing at 8.0% thereafter. This assumption reflects the resilience of GE Vernova's installed equipment base, which generates recurring, high-margin service revenues through long-term maintenance agreements. The Power segment, in particular, benefits from long-duration service contracts that provide strong revenue visibility and support sustained organic growth.

Cost of Goods Sold

Gross margins are expected to improve gradually throughout the forecast period, resulting in a declining cost of goods sold (COGS) as a percentage of revenue.

The forecast reflects management's continued implementation of lean manufacturing initiatives, productivity improvements, and greater pricing discipline when bidding on new projects. In addition, product standardization within the Wind segment is expected to reduce manufacturing complexity and improve production efficiency. While the forecast assumes a gradual improvement in margins, it also recognizes that execution risk remains, particularly within the Wind business.

Capital Expenditure

Capital expenditures are forecast to increase from \$1.0 billion in 2026 to \$1.5 billion by the end of the projection period.

This reflects GE Vernova's ongoing investment in manufacturing capacity, grid technologies, and next-generation power generation solutions. Continued capital investment is considered necessary to support expected growth in electricity demand, grid modernization, and emerging technologies such as small modular reactors, while also expanding production capacity for electrification products.

Inflation

Inflation is assumed to decline gradually from 3.0% in 2026 to a long-run rate of 2.0%.

This assumption reflects expectations that inflationary pressures will continue to moderate over the medium term, consistent with central bank inflation targets. While inflation remains a potential cost headwind, management's pricing initiatives and operational efficiency programs are expected to mitigate much of its impact on profitability.

Working Capital

Working capital assumptions reflect modest improvements in operational efficiency over the forecast period.

Accounts receivable days are projected to decline from 93 to 89 days, reflecting improved cash collection processes and continued use of receivable monetization programs. Inventory days are forecast to decrease from 117 to 113 days, supported by lean manufacturing initiatives, shorter production cycles, and increased product standardization, particularly within the Wind segment. Accounts payable days are assumed to remain broadly stable at approximately 110 days, consistent with management's objective of maintaining efficient cash conversion while continuing to utilize supply chain finance arrangements.

Items	Value
WACC	7.5%
Terminal Growth	2.5%
Terminal EBITDA Multiple	14
Tax Rate	27.5%

Weighted Average Cost of Capital (WACC)

A WACC of 7.5% is applied, reflecting GE Vernova's investment-grade credit profile, improving financial position, and stable recurring cash flows. The assumption is supported by the company's recent debt issuance at approximately 5.0% and credit rating upgrades to BBB/BBB+, indicating a relatively low cost of capital.

Terminal Growth Rate

A terminal growth rate of 2.5% is assumed, reflecting long-term growth slightly above inflation. This is supported by structural demand from grid modernization, electrification, and increasing electricity consumption driven by AI and data centers.

Terminal EBITDA Multiple

A 14.0x EV/EBITDA multiple is used to reflect a normalization of valuation as GE Vernova transitions from a high-growth company to a mature industrial business. The multiple is broadly consistent with established industrial peers.

Long-Term Tax Rate

A normalized tax rate of 27.5% is assumed, reflecting the U.S. statutory rate, state taxes, and GE Vernova's international operations. This provides a conservative estimate by excluding temporary tax benefits.

SENSITIVITY TABLES

Sensitivity Analysis. Tables X and Y present the sensitivity of the DCF valuation to changes in the key terminal assumptions. Under the base-case assumptions of a 7.5% WACC, a 14.0x terminal EV/EBITDA multiple, and a 2.5% terminal growth rate, the implied equity values are \$990.73 and \$867.86 per share, respectively. As expected, the valuation increases with lower discount rates and higher terminal assumptions, while higher WACC assumptions reduce the estimated equity value. Overall, the analysis indicates that GE Vernova's valuation remains robust under a range of reasonable assumptions.

Equity Value per Share Multiple

	Terminal Multiple				
	13.0x	13.5x	14.0x	14.5x	15.0x
WACC 5.5%	1,022.75	1,054.51	1,086.26	1,118.02	1,149.78
6.5%	976.74	1,006.91	1,037.09	1,067.27	1,097.44
7.5%	933.35	962.04	990.73	1,019.41	1,048.10
8.5%	892.42	919.71	946.99	974.27	1,001.55
9.5%	853.78	879.74	905.70	931.66	957.62

Equity Value per Share Terminal Growth

	Terminal Growth Rate				
	2.0%	2.3%	2.5%	2.8%	3.0%
WACC 6.0%	1,102.60	1,164.80	1,235.77	1,317.52	1,412.69
6.8%	929.56	972.10	1,019.59	1,072.96	1,133.36
7.5%	803.49	834.15	867.86	905.08	946.40
8.3%	707.59	730.58	755.55	782.77	812.56
9.0%	632.24	649.99	669.10	689.72	712.06

INVESTMENT THESIS

GE Vernova is positioned at the epicenter of a global "energy supercycle," serving as a critical infrastructure play for the dual imperatives of electrification and decarbonization. Following its 2024 spin-off, the company has transitioned into a pure-play energy leader with an immense asset base and a record-breaking backlog that provides unprecedented revenue visibility.

POSITIVES

- **AI-Driven Electricity Demand:** GE Vernova is a primary beneficiary of the massive power requirements for AI data centers, which are projected to double global electricity consumption by 2030. Its Electrification segment is seeing robust demand for the high-voltage equipment and transformers necessary to power these "AI factories".
- **Massive Installed Base and Moat:** The company's technology base helps generate approximately 25% of the world's electricity. This creates a formidable moat, driving high-margin recurring service revenue that accounted for roughly 45% of total revenues in 2025 [513, Conversation History].
- **Strategic Electrification Investment:** The \$5.3 billion acquisition of Prolec GE has transformed GE Vernova into a North American leader in the transformer market. This fueled a staggering 68% revenue growth in the Electrification segment in Q2 2026.
- **Record Backlog:** As of June 30, 2026, the company's Remaining Performance Obligation (RPO) reached a record \$176.3 billion, a 37% year-over-year increase.

RISKS

- **Continued Wind Segment Losses:** Wind remains the primary drag on consolidated profitability, reporting an EBITDA loss of (\$657 million) in the first half of 2026. Offshore Wind continues to face execution pressure, with cumulative contract losses exceeding \$1.6 billion across 2024 and 2025 due to project delays and manufacturing deviations.
- **Supply-Chain and Commodity Volatility:** GE Vernova operates in a supply-constrained environment, facing persistent challenges in the availability and cost of raw materials (steel, copper, aluminum) and skilled labor.
- **Policy and Regulatory Uncertainty:** Changes in government incentives, such as the Inflation Reduction Act (IRA) or sector-specific tariffs, could negatively impact project economics and introduce demand volatility, particularly in the Wind segment.
- **Interest Rate Exposure:** With the issuance of \$2.6 billion in senior notes in 2026, the company's debt service obligations and the ability of its customers to finance large-scale projects are sensitive to prolonged elevated interest rates.

CATALYSTS

- **Wind Profitability Turnaround:** Management's "selectivity strategy"—operating in fewer markets and simplifying the product portfolio to "workhorse" turbines—is expected to stabilize the segment and drive it toward breakeven.
- **Surge in Gas Turbine Orders:** The need for reliable, dispatchable power to support intermittent renewables and AI loads has led to a surge in Heavy-Duty Gas Turbine orders, which jumped to 113 units in Q2 2026 from 47 in the prior-year period.
- **Grid Modernization Supercycle:** The global grid-related market is forecast to grow to \$450 billion by 2035, providing a long-term tailwind for GE Vernova's high-growth Electrification business.
- **Aggressive Margin Expansion:** Through the "GE Vernova Way" (Lean) operating model, the company has already expanded its Adjusted EBITDA margin to 10.5% in 1H 2026 (up from 7.2% in 1H 2025), with further runway as higher-priced backlog is converted into revenue.

CONCLUSION

Based on the valuation and fundamental analysis, GE Vernova is assigned a Hold recommendation. The company is well positioned to benefit from long-term structural growth driven by electrification, grid modernization, and increasing electricity demand. Its record order backlog, extensive installed equipment base, and recurring service revenues provide strong earnings visibility and support sustainable long-term growth.

However, the current share price appears to reflect much of this positive outlook. GE Vernova trades at a premium relative to comparable industrial companies, implying that investors have already priced in strong earnings growth and continued execution. While further upside could be driven by margin expansion in the Power and Electrification segments and an improvement in the Wind business, these opportunities are accompanied by execution risk.

In addition, several external factors could moderate future growth. Expectations for electricity demand are increasingly linked to AI-driven data centre expansion; however, slower AI investment, improvements in computing efficiency, or lower-than-expected data centre construction could reduce demand for power infrastructure. Furthermore, permitting delays, environmental regulations, or government policies limiting large-scale data centre development and grid expansion could postpone infrastructure investment, affecting the timing of revenue growth.

A Sell recommendation is not justified, as GE Vernova maintains a strong competitive position, an investment-grade balance sheet, and exposure to long-term trends supporting global electrification and energy infrastructure investment. Nevertheless, the current valuation limits the potential for significant near-term appreciation. Therefore, a Hold recommendation is considered the most appropriate investment stance.