AZ STOCKS
Stocks from A to Z

# Vertiv

*The physical infrastructure of AI: a great company that, even after the fall, still demands a lot*

DEEP DIVE

November 2026

COMPANY PROFILE

# Vertiv

## THESIS

*Vertiv went from being off the radar to becoming a bottleneck in the rollout of AI: chips do not work without power and cooling. In this analysis I assess what an industrial company that became critical data center infrastructure is worth.*

## THE COMPANY

Vertiv designs, integrates and maintains the physical infrastructure that keeps data centers running without interruption.

Its portfolio has three families: power (UPS, power distribution, backup), thermal management (air and liquid cooling) and integrated infrastructure and services (racks, prefabricated modules, monitoring and maintenance). Its customers range from hyperscalers to colocation operators.

TARGET PRICE
USD 154

UPSIDE / DOWNSIDE
-14.6%

SECTOR
Infrastructure

EXCHANGE
NYSE

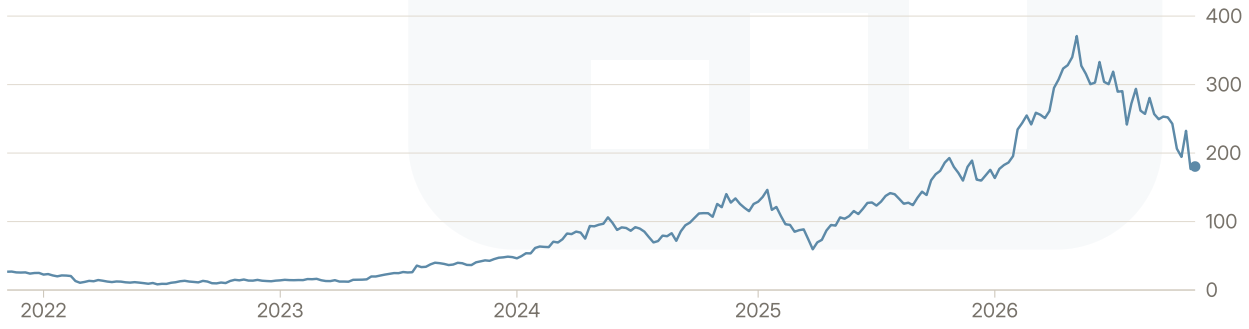
CURRENCY
USD

LAST UPDATED
November 2026

## MARKET DATA AS OF 2026-11-06

| PRICE | 52-WEEK RANGE | 5-YEAR CHANGE | BETA (5Y) |
|---|---|---|---|
| USD 180.36 | 147.82 – 379.94 | +575% | 2.21 |

WEEKLY SHARE PRICE, LAST 5 YEARS



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The author assumes no responsibility for any losses or damages arising directly or indirectly from the use of the information presented here.

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SECTION 01

# Introduction




Vertiv is one of those companies that, until very recently, lived off the average investor's radar. When people talked about artificial intelligence, the focus was on Nvidia, AMD, Broadcom, TSMC or the hyperscalers. The AI story started with chips, models and software platforms. But as the cycle matured, the market started to remember something basic: chips do not float in the air. They need power, cooling, racks, power distribution, monitoring, maintenance, redundancy and extremely reliable physical infrastructure to operate at scale.

That is where Vertiv comes in. The company does not design GPUs or train language models. Nor does it sell a software platform with 80% gross margins. Vertiv sells, integrates and maintains the systems that allow data centers to run without interruption. In an industry where an outage can cost millions of dollars, that role is critical. And in an era where AI racks consume more and more power and generate more and more heat, that role has become even more relevant.

Put simply: Vertiv is a critical infrastructure company exposed to the growth of AI. It is an industrial company that has become an operational bottleneck for the rollout of *AI factories*. Its business benefits from a very concrete trend: the massive construction of denser, more complex and more electrically and thermally demanding data centers.

What is interesting is that Vertiv combines two worlds. On one hand, it keeps the features of an industrial company: physical projects, supply chain, manufacturing, cost pressure, installed capacity and competition with companies such as Schneider Electric, Eaton, ABB or Legrand. On the other, the market has started to value it as part of the AI value chain, with growing orders, record backlog, expanding margins and demand that seems to be running faster than supply capacity.

The quality of the business has genuinely improved; it is not just a market story. The demand is in the numbers, in the orders, in the backlog and in the guidance. But the valuation has also moved to extremes: the stock reached almost $380 over the last year and trades today at around $180, with a market capitalization of about USD 71 billion. Even after that fall, the market is not paying for a traditional industrial company: it is paying for a company that must sustain high growth, margin expansion and strong cash generation for several years.

Let's see how much Vertiv is really worth.

SECTION 02

# Business model

Vertiv operates in the critical digital infrastructure business. Its solutions are used mainly in data centers, communication networks and commercial or industrial applications where operational continuity is essential. Basically, the company helps digital systems stay on, powered, cooled and protected. Its value proposition is to let the chip operate in safe conditions with as little interruption as possible.

Vertiv's portfolio can be grouped into three large families. The first is **power**: UPS, power distribution, switchgear, busbars, backup systems, AC/DC solutions and energy storage. The second is **thermal management**: air cooling, liquid cooling, heat rejection, chillers and solutions to handle ever higher densities. The third is **integrated infrastructure and services**: racks, prefabricated solutions, modules, monitoring, software, installation, maintenance, spare parts and lifecycle support.

Combining those three families matters because modern data centers are no longer bought as a collection of isolated parts. A hyperscaler or an Equinix, for example, does not simply want a UPS from one vendor, a cooling system from another and a rack from a third. It needs an integrated architecture that works with high reliability, can be deployed quickly, is compatible with high-density designs and reduces operational risk. Vertiv tries to capture that value by positioning itself as a provider of complete solutions.

In 2025 Vertiv generated about USD 10.23 billion of sales. Most came from products, about USD 8.21 billion, while services and spares represented about USD 2.02 billion. This split matters because the market tends to see Vertiv as a hardware company, but a growing share of value can come from services tied to the installed base. Each new data center built today can turn into maintenance, upgrade, spare parts and support contracts for years.

By region, the business is highly concentrated in the Americas. In 2025 the Americas represented about USD 6.39 billion of sales, with segment margins above those of Asia Pacific and EMEA. EMEA generated about USD 1.82 billion, while Asia Pacific contributed about USD 2.02 billion. The AI data center boom is especially strong in the United States, where hyperscalers and neoclouds are competing for capacity, power and speed.

Vertiv's business also has a feature that sets it apart from many pure industrial companies: it takes part in projects where the cost of failure is much higher than the cost of the equipment. In a data center, a power or cooling problem can cause outages, data loss, contractual breaches and reputational damage. This does not eliminate competition, but it reduces the likelihood that customers buy on price alone. Reliability, execution track record and global support capacity carry a lot of weight.

## Segments and regions

The Americas is clearly the most important region. It not only concentrates most of the sales but also shows higher segment margins. Vertiv is taking on projects of greater complexity, scale and profitability in North America, where the construction of AI infrastructure has accelerated sharply.

EMEA has a different dynamic. Europe also needs data centers, digital sovereignty, inference capacity and infrastructure modernization, but it faces power constraints, permits, environmental regulation and greater fragmentation. For Vertiv, EMEA can be an attractive growth region, but probably less explosive than the Americas.

Asia Pacific is more complex, so to speak. The region combines very advanced markets such as Japan, Korea and Singapore with emerging markets and the permanent shadow of technology geopolitics. Vertiv has a relevant presence in Asia, but local and regional competition can be more intense. In addition, many Asian customers have their own supply chains and long-standing relationships with local electrical and thermal suppliers.

In terms of products, the company is benefiting from a favorable mix. The growth of AI data centers does not only require more racks, but racks with higher power density. That means more electrical content per installation, more thermal control, more engineering and more commissioning services. It is not just a volume cycle; it is a cycle of greater complexity per unit of computing capacity.

The split between Products and Services & Spares also matters. As mentioned, products account for most revenue, but services can add a layer of resilience. As the installed base grows, the company has more opportunities for preventive maintenance, parts replacement, modernization, remote monitoring and support. In a scenario where the pace of construction normalizes, that installed base could smooth part of the volatility.

If Vertiv manages to increase the weight of services in the mix, the market could start to see it not only as a data center capex company, but as a company with a relevant share of recurring or quasi-recurring revenue. That change would justify higher multiples than those of a traditional industrial.

## Why AI changed demand

Generative artificial intelligence changed the physical requirements of the data center. In the traditional cloud, rack density was already an important issue, but in AI it became central. GPU clusters need large amounts of power concentrated in relatively small spaces. At the same time, those chips generate enormous amounts of heat. The denser the racks, the harder it becomes to distribute power efficiently and remove heat safely.

This point is fundamental to understanding Vertiv. In a traditional data center, growth could come from adding computing capacity more or less incrementally. In an *AI factory*, complexity increases non-linearly. It is not enough to add more servers. The power architecture, cooling, redundancy and control systems must be redesigned. Physical infrastructure stops being a secondary component and becomes a bottleneck.

The expansion of AI models also creates less linear demand for infrastructure. More parameters mean more GPU use. More inference means higher utilization of those clusters. Higher utilization means greater demands on power and cooling. And when hyperscalers compete to deploy capacity before their rivals, speed of delivery becomes as important as technical efficiency.

According to analyst estimates, the data center physical infrastructure market reached USD 10.9 billion in the fourth quarter of 2025, growing 20% year over year, driven by demand for power and cooling for AI data centers. In addition, the *Data Center Physical Infrastructure* market is projected to reach USD 63.1 billion in 2029, with double-digit compound growth. These figures help explain why Vertiv went from an industrial story to a structural growth story.

Liquid cooling is a central piece of that transition. In high-density racks, air starts to be insufficient or inefficient. Hybrid and liquid solutions can handle higher thermal loads, reduce energy consumption and enable higher-density configurations. Vertiv has been investing in that portfolio and, in this context, its thermal management business becomes one of the most strategic.

The other axis is the power architecture. Nvidia and other industry players are pushing 800 VDC designs for future *AI factories*. The idea is to eliminate redundant conversions, improve efficiency and allow racks of more than 1 MW. Vertiv announced a collaboration with Nvidia to advance 800 VDC platform designs. For Vertiv, being close to those projects does not guarantee market dominance, but it does improve its position as a technology partner for the next generation of data centers.

## 800 VDC, liquid cooling and the new data center

The concept of 800 VDC may sound difficult or technical, but the underlying idea is simple. Today's data centers usually use power distribution architectures with several conversions between alternating and direct current. Each conversion means losses, heat, complexity and additional equipment. In extremely dense AI loads, those inefficiencies start to matter a lot.

Nvidia explained that generating 800 VDC at the facility level and bringing it directly to compatible racks can eliminate redundant conversions and improve overall system efficiency. The architecture is designed to support high-density GPU clusters and scale beyond 1 MW per rack. If this transition consolidates, power infrastructure suppliers involved early in the design could capture incremental value.

Vertiv is not the only player in this transition. ABB, Eaton, Schneider Electric and other global electrical suppliers also want to capture that market. That is why the collaboration with Nvidia should be read with caution. It is a positive validation of capabilities, but not a guarantee of exclusivity. In power infrastructure, customers usually keep several suppliers and look for interoperable standards.

Liquid cooling has a similar dynamic. The market is clearly moving toward more advanced solutions, but it is not yet clear which architectures will dominate in each type of data center. Some customers will use *direct-to-chip liquid cooling*, others hybrid solutions, others *rear-door heat exchangers*, and some will keep air for less dense loads. Vertiv needs a portfolio broad enough to cover that diversity.

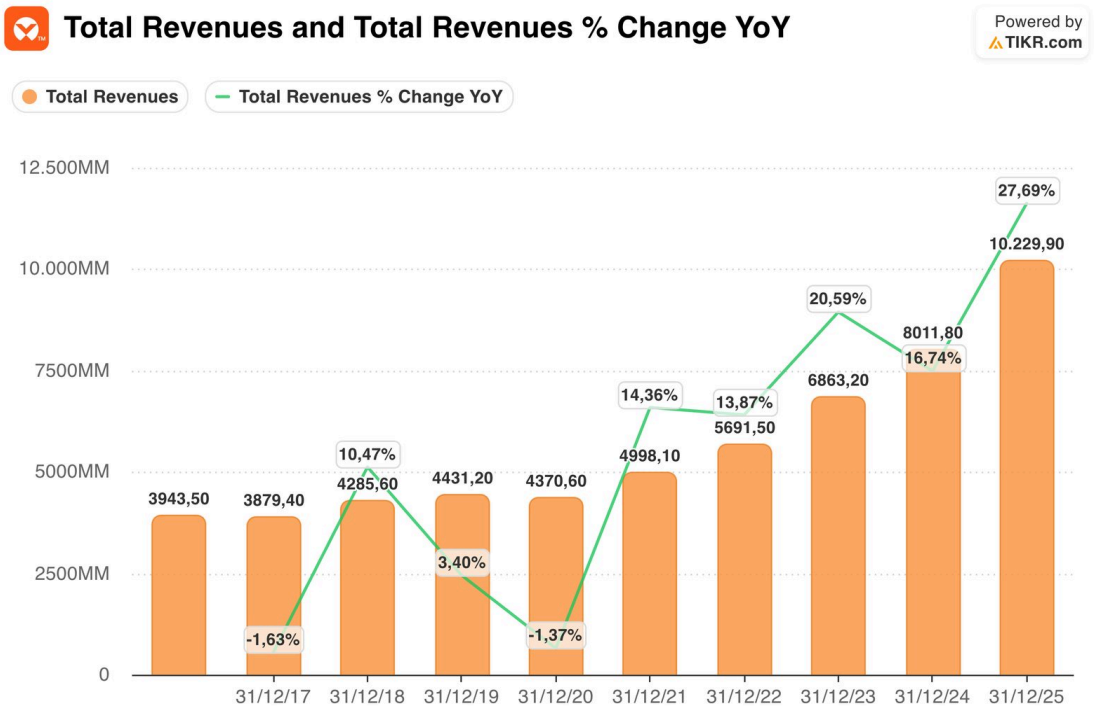
The acquisition of PurgeRite reinforces that strategy. Fluid management, flushing, testing and loop maintenance become more important when liquid cooling moves from a niche solution to a massive industrial architecture. The purchase not only adds service capabilities; it also positions Vertiv to capture recurring work around liquid and hybrid installations.

The AI data center requires a convergence of power, cooling, modular design, services and control software. Vertiv wants to be at the center of that convergence. If it succeeds, the business could deserve a re-rating. If not, it could remain an excellent industrial company exposed to an extraordinary cycle, but with less ability to defend margins when competition intensifies.

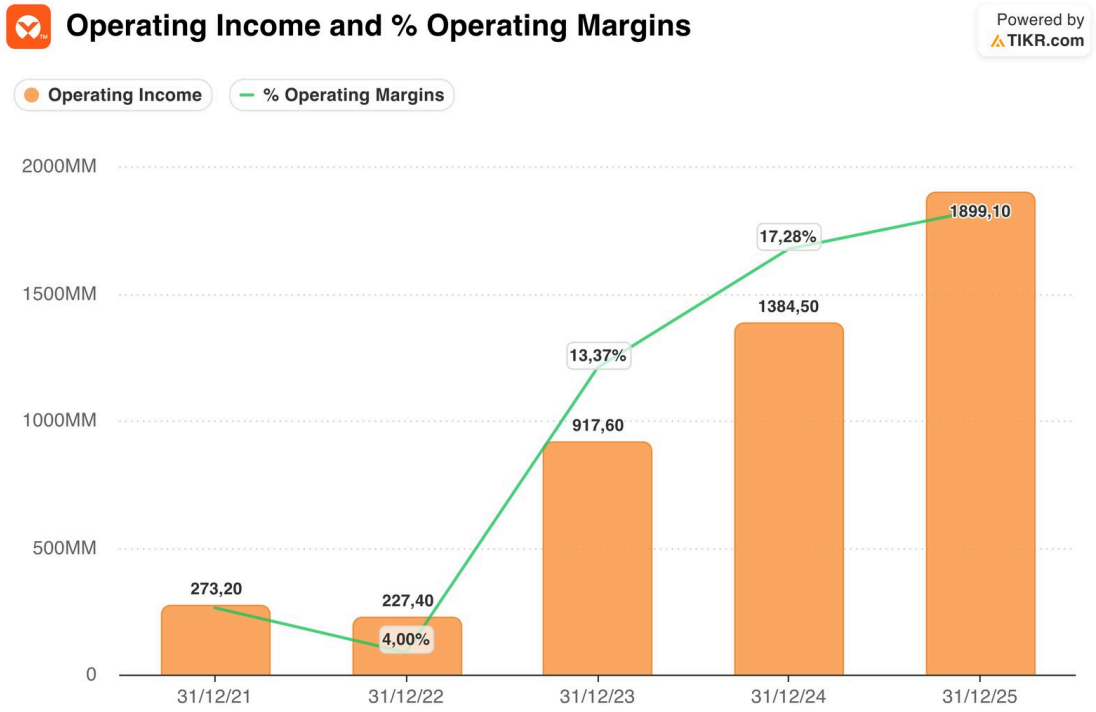
SECTION 03

# Business quality

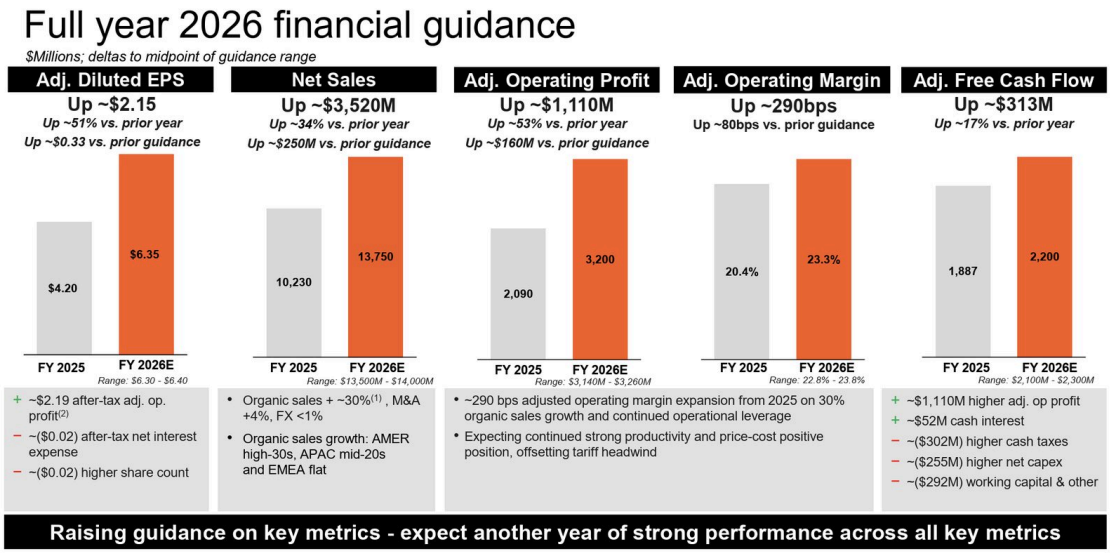
## Revenue and margins



Vertiv's recent numbers show a company that is accelerating. In 2023 it generated about USD 6.86 billion of sales. In 2024 it rose to USD 8.01 billion. In 2025 it reached USD 10.23 billion. In other words, the company grew steadily, but the real change was in the combination of growth, margins and orders. Operating income went from USD 917 million in 2023 to USD 1.38 billion in 2024 and USD 1.89 billion in 2025.




Margin expansion is probably the most important data point. Vertiv is not only selling more; it is earning more per dollar of sales. This can be explained by a mix shift toward more complex data centers, operating scale, pricing, productivity and better execution. In industrial companies, margin expansion is usually harder than sales growth.




The backlog is another key point. At the end of 2025 Vertiv's backlog reached about USD 15 billion, more than double a year earlier. That figure does not guarantee revenue automatically, but it does provide visibility. In a business of projects, orders and delivery cycles, the backlog helps understand future

demand and the company's ability to sustain growth in the coming quarters.




The risk is that the market extrapolates too much. A company growing 30% and expanding margins can justify high multiples if that dynamic is durable. But if part of the growth reflects an exceptional urgency in AI development, the pace may moderate. The challenge is to separate what is structural from what is cyclical. At Vertiv there are elements of both.

## Latest results: third quarter of 2026

On October 28 Vertiv reported its third-quarter results. Once again, they were extraordinary:

- **Sales:** USD 4,313 million, +61% year over year (+55% organic). Acquisitions contributed about 6 points.
- **Orders:** organic orders grew more than 100% year over year, a sign that demand for AI infrastructure keeps accelerating.
- **Profitability:** GAAP operating income grew 90% to USD 984 million (22.8% margin) and adjusted operating income 83% to USD 1,087 million (25.2% margin, +290 basis points). Adjusted EPS grew 78% to USD 2.21.
- **Cash:** operating cash flow of USD 794 million and adjusted free cash flow of USD 652 million. The company ended the quarter with net cash and USD 6.2 billion of liquidity.

Vertiv raised its 2026 guidance again across all metrics: sales of USD 14.45-14.85 billion (37-39% organic growth), an adjusted operating margin of 23.5-24.5%, adjusted EPS of USD 7.10-7.20 and adjusted free cash flow of USD 2.6-2.8 billion. For the fourth quarter it expects organic growth of about 50%.

What is striking is that the stock fell sharply in the following weeks, from more than USD 230 to around USD 180. The market is not doubting today's results, but how long the pace of data center investment can last.

## Vertical analysis

### INCOME STATEMENT

| Fiscal year<br>Income Statement — % of revenue | FY2017A | FY2018A | FY2019A | FY2020A | FY2021A | FY2022A | FY2023A | FY2024A | FY2025A | 3Y avg | 5Y avg |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Total Revenues** | **100.0%** | **100.0%** | **100.0%** | **100.0%** | **100.0%** | **100.0%** | **100.0%** | **100.0%** | **100.0%** | **100.0%** | **100.0%** |
| Cost of Goods Sold | (66.2%) | (66.8%) | (67.2%) | (66.3%) | (69.5%) | (71.6%) | (65.0%) | (63.4%) | (63.7%) | **(64.0%)** | **(66.6%)** |
| **Gross Profit** | **33.8%** | **33.1%** | **32.8%** | **33.7%** | **30.5%** | **28.4%** | **35.0%** | **36.6%** | **36.3%** | **36.0%** | **33.4%** |
| Selling General & Admin Expenses | (28.0%) | (28.6%) | (24.8%) | (23.1%) | (22.2%) | (20.7%) | (19.1%) | (17.1%) | (15.8%) | **(17.4%)** | **(19.0%)** |
| **Total Operating Expenses** | **(33.6%)** | **(32.0%)** | **(27.7%)** | **(26.1%)** | **(25.0%)** | **(24.4%)** | **(21.6%)** | **(19.3%)** | **(17.8%)** | **(19.6%)** | **(21.6%)** |
| **Operating Income** | **0.2%** | **1.1%** | **5.1%** | **7.7%** | **5.5%** | **4.0%** | **13.4%** | **17.3%** | **18.6%** | **16.4%** | **11.7%** |
| Interest Expense | (9.8%) | (6.7%) | (7.0%) | (3.0%) | (1.8%) | (2.6%) | (2.6%) | (1.9%) | (0.8%) | **(1.8%)** | **(1.9%)** |
| **EBT Incl. Unusual Items** | **(10.5%)** | **(6.3%)** | **(2.3%)** | **(5.8%)** | **3.3%** | **2.9%** | **7.8%** | **9.5%** | **17.0%** | **11.5%** | **8.1%** |
| Income Tax Expense | 0.5% | (1.2%) | (0.8%) | (1.7%) | (0.9%) | (1.6%) | (1.1%) | (3.4%) | (4.0%) | **(2.8%)** | **(2.2%)** |
| **Net Income** | **(9.5%)** | **(7.3%)** | **(3.2%)** | **(7.5%)** | **2.4%** | **1.3%** | **6.7%** | **6.2%** | **13.0%** | **8.6%** | **5.9%** |
| EBITDA | 9.0% | 6.2% | 9.7% | 12.3% | 10.0% | 9.3% | 17.3% | 20.7% | 21.6% | **19.9%** | **15.8%** |

Source: author's analysis based on Tikr data.

### BALANCE SHEET

| Fiscal year<br>Balance Sheet — % of total assets | FY2017A | FY2018A | FY2019A | FY2020A | FY2021A | FY2022A | FY2023A | FY2024A | FY2025A | 3Y avg | 5Y avg |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Total Cash And Short Term Investments** | **8.1%** | **4.5%** | **4.8%** | **10.5%** | **6.3%** | **4.2%** | **10.2%** | **13.8%** | **15.2%** | **13.0%** | **9.9%** |
| **Total Receivables** | **22.9%** | **26.1%** | **26.0%** | **26.7%** | **22.1%** | **26.6%** | **26.5%** | **25.9%** | **25.5%** | **25.9%** | **25.3%** |
| Inventory | 8.4% | 10.2% | 8.6% | 8.8% | 8.9% | 11.6% | 11.1% | 13.6% | 11.9% | **12.2%** | **11.4%** |
| **Total Current Assets** | **41.3%** | **43.7%** | **43.3%** | **49.6%** | **38.9%** | **44.5%** | **50.0%** | **55.9%** | **55.8%** | **53.9%** | **49.0%** |
| Net Property Plant And Equipment | 9.6% | 9.2% | 11.6% | 11.3% | 9.3% | 9.2% | 9.2% | 9.1% | 10.0% | **9.4%** | **9.4%** |
| Long-term Investments | – | – | – | – | 0.2% | 1.0% | 0.6% | 0.4% | 0.0% | **0.3%** | **0.4%** |
| Goodwill | 12.4% | 13.2% | 13.0% | 12.0% | 19.2% | 18.1% | 16.6% | 14.5% | 16.7% | **15.9%** | **17.0%** |
| Other Intangibles | 34.6% | 32.6% | 31.0% | 25.7% | 30.8% | 25.6% | 20.9% | 16.3% | 15.5% | **17.6%** | **21.8%** |
| **Total Assets** | **100.0%** | **100.0%** | **100.0%** | **100.0%** | **100.0%** | **100.0%** | **100.0%** | **100.0%** | **100.0%** | **100.0%** | **100.0%** |
| **Total Current Liabilities** | **30.1%** | **33.5%** | **32.6%** | **34.3%** | **26.7%** | **26.7%** | **28.8%** | **33.9%** | **36.1%** | **32.9%** | **30.5%** |
| Long-Term Debt | 65.7% | 71.5% | 74.4% | 42.4% | 42.5% | 44.7% | 36.5% | 31.8% | 23.7% | **30.7%** | **35.8%** |
| Capital Leases | – | – | 1.7% | 2.1% | 1.7% | 1.9% | 1.8% | 1.9% | 2.0% | **1.9%** | **1.8%** |
| **Total Liabilities** | **102.7%** | **111.3%** | **115.1%** | **89.9%** | **79.6%** | **79.7%** | **74.8%** | **73.3%** | **67.7%** | **72.0%** | **75.0%** |
| **Total Equity** | **(2.7%)** | **(11.3%)** | **(15.1%)** | **10.1%** | **20.4%** | **20.3%** | **25.2%** | **26.7%** | **32.3%** | **28.0%** | **25.0%** |
| **Total Debt** | **65.7%** | **71.5%** | **76.9%** | **46.0%** | **45.2%** | **47.5%** | **39.1%** | **34.4%** | **26.4%** | **33.3%** | **38.5%** |
| Net Debt | 57.6% | 67.0% | 72.1% | 35.5% | 38.9% | 43.3% | 28.9% | 20.7% | 11.3% | **20.3%** | **28.6%** |

Source: author's analysis based on Tikr data.

### CASH FLOW

| Fiscal year<br>Cash Flow — % of revenue | FY2017A | FY2018A | FY2019A | FY2020A | FY2021A | FY2022A | FY2023A | FY2024A | FY2025A | 3Y avg | 5Y avg |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Net Income** | **(9.5%)** | **(7.3%)** | **(3.2%)** | **(7.5%)** | **2.4%** | **1.3%** | **6.7%** | **6.2%** | **13.0%** | **8.6%** | **5.9%** |
| **Total Depreciation & Amortization** | **8.9%** | **5.1%** | **4.6%** | **4.6%** | **4.5%** | **5.3%** | **3.9%** | **3.5%** | **3.0%** | **3.5%** | **4.1%** |
| Stock-Based Compensation | – | – | – | 0.3% | 0.5% | 0.4% | 0.4% | 0.4% | 0.4% | **0.4%** | **0.4%** |
| **Cash from Operations** | **(1.3%)** | **(5.2%)** | **1.3%** | **4.8%** | **4.2%** | **(2.7%)** | **13.1%** | **16.5%** | **20.7%** | **16.8%** | **10.4%** |
| Capital Expenditure | (0.9%) | (1.5%) | (1.1%) | (1.0%) | (1.5%) | (1.8%) | (1.9%) | (2.1%) | (2.2%) | **(2.0%)** | **(1.9%)** |
| Cash Acquisitions | (5.4%) | (2.9%) | – | – | (23.3%) | (0.1%) | (0.4%) | (0.2%) | (11.6%) | **(4.1%)** | **(7.1%)** |
| **Cash from Investing** | **27.3%** | **(4.9%)** | **(1.5%)** | **(1.0%)** | **(24.3%)** | **(2.0%)** | **(2.0%)** | **(2.5%)** | **(14.7%)** | **(6.4%)** | **(9.1%)** |
| **Total Debt Issued** | **33.7%** | **13.2%** | **13.7%** | **58.0%** | **17.0%** | **13.9%** | **3.3%** | **3.4%** | **–** | **2.2%** | **7.5%** |
| **Total Debt Repaid** | **(27.7%)** | **(7.5%)** | **(13.3%)** | **(90.4%)** | **(0.4%)** | **(10.0%)** | **(7.1%)** | **(3.6%)** | **(0.2%)** | **(3.6%)** | **(4.3%)** |
| Repurchase of Common Stock | – | – | – | – | (0.1%) | (0.1%) | (0.0%) | (7.8%) | (0.1%) | **(2.6%)** | **(1.6%)** |
| Common Dividends Paid | (26.4%) | – | – | (0.1%) | (0.1%) | (0.1%) | (0.1%) | (0.5%) | (0.7%) | **(0.4%)** | **(0.3%)** |
| **Cash from Financing** | **(22.5%)** | **5.7%** | **0.3%** | **3.2%** | **18.3%** | **1.8%** | **(3.6%)** | **(8.1%)** | **(0.7%)** | **(4.1%)** | **1.5%** |
| Free Cash Flow | (2.2%) | (6.7%) | 0.2% | 3.8% | 2.8% | (4.4%) | 11.3% | 14.4% | 18.5% | **14.7%** | **8.5%** |

Source: author's analysis based on Tikr data.

# Financial ratios

- **Growth**

| Fiscal year<br>Growth | FY2017A | FY2018A | FY2019A | FY2020A | FY2021A | FY2022A | FY2023A | FY2024A | FY2025A | 3Y avg | 5Y avg |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Revenue growth | | 10.5% | 3.4% | (1.4%) | 14.3% | 13.9% | 20.6% | 16.7% | 27.7% | **21.7%** | **18.6%** |
| EBIT growth | | 584.5% | 363.0% | 48.9% | (18.5%) | (16.8%) | 304.4% | 50.9% | 37.1% | **130.8%** | **71.4%** |
| Diluted EPS growth | | n.m. | n.m. | n.m. | n.m. | (112.1%) | n.m. | 7.6% | 166.4% | **87.0%** | **20.6%** |
| Change in diluted shares (dilution / buybacks) | | n.m. | – | 160.2% | 17.3% | 5.0% | 2.1% | – | 1.3% | **1.1%** | **5.1%** |

Source: author's analysis based on Tikr data.

Sales grew 16.7% in 2024 and 27.7% in 2025, and in 2026 growth is approaching 43%. EBIT grew 51% in 2024 and 37% in 2025. The share count remains practically stable.

- **Profitability**

| Fiscal year<br>Profitability | FY2017A | FY2018A | FY2019A | FY2020A | FY2021A | FY2022A | FY2023A | FY2024A | FY2025A | 3Y avg | 5Y avg |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Gross margin | 33.8% | 33.1% | 32.8% | 33.7% | 30.5% | 28.4% | 35.0% | 36.6% | 36.3% | **36.0%** | **33.4%** |
| SG&A % revenue | 28.0% | 28.6% | 24.8% | 23.1% | 22.2% | 20.7% | 19.1% | 17.1% | 15.8% | **17.4%** | **19.0%** |
| R&D % revenue | – | – | – | – | – | – | – | – | – | **–** | **–** |
| EBIT margin | 0.2% | 1.1% | 5.1% | 7.7% | 5.5% | 4.0% | 13.4% | 17.3% | 18.6% | **16.4%** | **11.7%** |
| EBITDA margin (EBIT + D&A) | 9.1% | 6.2% | 9.7% | 12.3% | 10.0% | 9.3% | 17.3% | 20.7% | 21.6% | **19.9%** | **15.8%** |
| Net margin | (9.5%) | (7.3%) | (3.2%) | (7.5%) | 2.4% | 1.3% | 6.7% | 6.2% | 13.0% | **8.6%** | **5.9%** |
| Stock-based compensation % revenue | – | – | – | 0.3% | 0.5% | 0.4% | 0.4% | 0.4% | 0.4% | **0.4%** | **0.4%** |
| Effective tax rate | 4.8% | (18.4%) | (35.1%) | (28.5%) | 28.1% | 54.1% | 13.8% | 35.3% | 23.5% | **24.2%** | **30.9%** |

Source: author's analysis based on Tikr data.

Gross margin went from 28.4% in 2022 to 36.3% in 2025, and EBIT margin from 4% to 18.6%. In 2026 the GAAP operating margin already exceeds 22%. It is the best proof that the improvement is not just about volume.

- **Cash flow and reinvestment**

| Fiscal year | FY2017A | FY2018A | FY2019A | FY2020A | FY2021A | FY2022A | FY2023A | FY2024A | FY2025A | 3Y avg | 5Y avg |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Cash flow & reinvestment** | | | | | | | | | | | |
| Cash from operations % revenue | (1.3%) | (5.2%) | 1.3% | 4.8% | 4.2% | (2.7%) | 13.1% | 16.5% | 20.7% | **16.8%** | **10.4%** |
| FCF margin (TIKR FCF / revenue) | (2.2%) | (6.7%) | 0.2% | 3.8% | 2.8% | (4.4%) | 11.3% | 14.4% | 18.5% | **14.7%** | **8.5%** |
| FCF conversion (FCF / net income) | n.m. | n.m. | n.m. | n.m. | 115.0% | (330.3%) | 168.0% | 232.3% | 142.1% | **180.8%** | **65.4%** |
| Capex % revenue | 0.9% | 1.5% | 1.1% | 1.0% | 1.5% | 1.8% | 1.9% | 2.1% | 2.2% | **2.0%** | **1.9%** |
| D&A % revenue | 8.9% | 5.1% | 4.6% | 4.6% | 4.5% | 5.3% | 3.9% | 3.5% | 3.0% | **3.5%** | **4.1%** |
| Capex / D&A | 0.1x | 0.3x | 0.2x | 0.2x | 0.3x | 0.3x | 0.5x | 0.6x | 0.7x | **0.6x** | **0.5x** |
| D&A % beginning net PP&E | | 46.9% | 45.9% | 37.7% | 39.6% | 47.0% | 41.3% | 37.7% | 37.4% | **38.8%** | **40.6%** |
| Acquisitions % revenue | 5.4% | 2.9% | – | – | 23.3% | 0.1% | 0.4% | 0.2% | 11.6% | **4.1%** | **7.1%** |

Source: author's analysis based on Tikr data.

Free cash flow was 18.5% of sales in 2025, with CapEx of just 2.2%. In 2026 CapEx rises to about 4% to expand manufacturing capacity.

- **Working capital**

| Fiscal year | FY2017A | FY2018A | FY2019A | FY2020A | FY2021A | FY2022A | FY2023A | FY2024A | FY2025A | 3Y avg | 5Y avg |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Working capital** | | | | | | | | | | | |
| Receivables days (DSO) | 103.8 | 106.6 | 99.8 | 113.1 | 112.2 | 121.1 | 112.6 | 107.7 | 110.9 | **110.4** | **112.9** |
| Inventory days (DIO) | 57.4 | 62.0 | 49.1 | 56.3 | 64.7 | 73.6 | 72.3 | 89.4 | 81.6 | **81.1** | **76.3** |
| Payables days (DPO) | 95.7 | 99.1 | 78.1 | 92.1 | 90.2 | 88.1 | 80.6 | 94.6 | 98.4 | **91.2** | **90.4** |
| Cash conversion cycle (DSO + DIO − DPO) | 65.5 | 69.5 | 70.9 | 77.3 | 86.6 | 106.6 | 104.3 | 102.5 | 94.2 | **100.3** | **98.8** |
| Deferred revenue % revenue | 5.8% | 5.5% | 5.5% | 6.3% | 7.0% | 7.2% | 10.2% | 14.4% | 18.8% | **14.5%** | **11.5%** |
| Operating NWC % revenue | 3.6% | 5.9% | 6.2% | 6.6% | 8.6% | 17.3% | 13.4% | 10.0% | 5.1% | **9.5%** | **10.9%** |

Source: author's analysis based on Tikr data.

Vertiv collects in 111 days and holds 82 days of inventory, high levels because of large projects. Customer prepayments offset this: deferred revenue reached 18.8% of sales.

- **Returns on capital**

| Fiscal year | FY2017A | FY2018A | FY2019A | FY2020A | FY2021A | FY2022A | FY2023A | FY2024A | FY2025A | 3Y avg | 5Y avg |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Returns on capital** | | | | | | | | | | | |
| NOPAT = EBIT × (1 − normalized tax rate) | 5 | 37 | 172 | 256 | 209 | 174 | 702 | 1,060 | 1,453 | **1,072** | **720** |
| Invested capital = debt + equity − cash & ST inv. | 2,642 | 2,673 | 2,652 | 2,312 | 4,116 | 4,512 | 4,324 | 4,321 | 5,318 | **4,654** | **4,518** |
| ROIC = NOPAT / average invested capital | | 1.4% | 6.5% | 10.3% | 6.5% | 4.0% | 15.9% | 24.5% | 30.2% | **23.5%** | **16.2%** |
| ROIC incl. cash = NOPAT / average (debt + equity) | | 1.3% | 6.0% | 9.0% | 5.6% | 3.7% | 14.1% | 19.8% | 22.8% | **18.9%** | **13.2%** |
| Pre-tax ROIC = EBIT / average invested capital (reference) | | 1.8% | 8.5% | 13.5% | 8.5% | 5.3% | 20.8% | 32.0% | 39.4% | **30.7%** | **21.2%** |
| ROE = net income / average equity | n.m. | n.m. | n.m. | | 12.4% | 5.4% | 26.6% | 22.3% | 41.8% | **30.2%** | **21.7%** |
| ROA = net income / average total assets | | (6.5%) | (3.0%) | (6.7%) | 2.0% | 1.1% | 6.1% | 5.8% | 12.5% | **8.1%** | **5.5%** |

Source: author's analysis based on Tikr data.

ROIC went from 4% in 2022 to 30% in 2025 and ROE to 42%. It is an enormous change for an industrial company.

- **Leverage and liquidity**

| Fiscal year | FY2017A | FY2018A | FY2019A | FY2020A | FY2021A | FY2022A | FY2023A | FY2024A | FY2025A | 3Y avg | 5Y avg |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Leverage & liquidity** | | | | | | | | | | | |
| Net debt (debt − cash & ST inv.) | 2,772 | 3,213 | 3,357 | 1,800 | 2,698 | 3,070 | 2,309 | 1,887 | 1,377 | **1,858** | **2,268** |
| Net debt / EBITDA | 7.9x | 12.1x | 7.8x | 3.3x | 5.4x | 5.8x | 1.9x | 1.1x | 0.6x | **1.2x** | **3.0x** |
| Interest coverage (EBIT / interest expense) | 0.0x | 0.2x | 0.7x | 2.6x | 3.0x | 1.5x | 5.1x | 9.2x | 22.1x | **12.1x** | **8.2x** |
| Debt / (debt + equity), book | n.m. | n.m. | n.m. | | 82.0% | 68.9% | 70.0% | 60.8% | 56.4% | 45.0% | **54.1%** | **60.2%** |
| Current ratio | 1.37 | 1.30 | 1.33 | 1.45 | 1.45 | 1.66 | 1.74 | 1.65 | 1.55 | **1.64** | **1.61** |

Source: author's analysis based on Tikr data.

Net debt fell from almost 6x EBITDA in 2022 to 0.6x in 2025, and in 2026 the company already has net cash. Interest coverage rose to 22x.

- **Shareholder returns and valuation**

| Fiscal year | FY2017A | FY2018A | FY2019A | FY2020A | FY2021A | FY2022A | FY2023A | FY2024A | FY2025A | 3Y avg | 5Y avg |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Shareholder returns & market valuation (TIKR, at fiscal year end)** | | | | | | | | | | | |
| Dividends + buybacks % FCF | n.m. | n.m. | – | 2.0% | 8.0% | n.m. | 1.7% | 57.7% | 4.1% | **21.1%** | **17.9%** |
| EV / EBITDA | n.m. | n.m. | n.m. | 15.3x | 21.9x | 15.6x | 17.6x | 27.0x | 28.6x | **24.4x** | **22.1x** |
| EV / revenue | n.m. | n.m. | n.m. | 1.9x | 2.2x | 1.5x | 3.0x | 5.6x | 6.2x | **4.9x** | **3.7x** |
| P/E | n.m. | n.m. | n.m. | n.m. | 78.2x | 67.3x | 39.8x | 86.0x | 46.5x | **57.4x** | **63.5x** |
| FCF yield (FCF / market cap) | n.m. | n.m. | n.m. | 2.7% | 1.5% | (4.9%) | 4.2% | 2.7% | 3.1% | **3.3%** | **1.3%** |

Source: author's analysis based on Tikr data.

Vertiv pays a token dividend and buys back few shares: almost all cash is reinvested. At the end of 2025 it traded at 29x EBITDA and 46x earnings, with a 3.1% FCF yield.

SECTION 04

# Management and capital allocation

**Giordano Albertazzi**, Vertiv's **CEO** since January 2023, has become a central figure in the thesis. His tenure coincided with a period of operating improvement, margin expansion and repositioning for the AI boom. It is hard to separate how much of the success comes from the cycle and how much from execution, but the combined result has been very favorable for shareholders.

Albertazzi knows the company from the inside. Before becoming CEO, he held regional and executive roles within Vertiv, including responsibilities in EMEA and the Americas. That operating experience matters because Vertiv is not a company that can be run from a financial story alone. It requires knowledge of customers, supply chain, manufacturing, complex projects and critical services.

A positive element of his tenure is the clarity with which Vertiv has communicated its role in AI infrastructure. The company has positioned itself as an essential provider of power and thermal infrastructure for high-density data centers. That communication helped the market better understand the strategic value of the business.

There was a relevant transition in the finance function. David Fallon, the long-time CFO, announced his retirement and Vertiv appointed **Craig Chamberlin** as **CFO**, effective November 2025. Transitions in finance roles always deserve attention, especially at a company growing this fast where capital allocation will become increasingly important. So far the transition seems orderly, but it is a point to monitor.

Capital allocation will be a key test for management. Vertiv has to decide how much to reinvest in capacity, how much to spend on acquisitions, how much to return through buybacks or dividends, and how to keep flexibility in a market that can change quickly. In an industrial company exposed to a demand boom, the temptation to overexpand always exists.

My view of management is favorable. Recent execution has been very good and the company seized the AI opportunity quickly. But the bar is now much higher. When the stock trades at demanding multiples, management must not only execute well; it must execute almost without mistakes.

SECTION 05

# Competitive position

The data center physical infrastructure industry is attractive but competitive. Unlike markets with clear network effects or software with lock-in, here competitive advantage is built with scale, engineering, reliability, commercial relationships, delivery capacity and services. It is not a perfect moat, but it is not a commodity either.

Vertiv's main competitors include Schneider Electric, Eaton, ABB, Legrand, nVent, Delta Electronics, Trane Technologies in some thermal layers and other specialized players. Each has different strengths. Schneider and Eaton have an enormous global presence in electrification. ABB is very strong in power infrastructure and automation. Legrand and nVent have relevant positions in racks, cabling, distribution and components. Delta competes aggressively in power and cooling, especially in Asia.

Competition is not only by product. A customer may buy switchgear from one supplier, UPS from another, racks from another and cooling from another. But in AI projects, integration is gaining weight. The supplier that can design and deliver a complete solution, compatible with the requirements of Nvidia, AMD, hyperscalers and colocation operators, can capture more margin and a more strategic relationship.

Vertiv has an important advantage in focus. While Schneider, Eaton or ABB are more diversified electrical conglomerates, Vertiv is much more concentrated on critical digital infrastructure. That concentration allows it to communicate a more direct thesis and allocate resources specifically to the data center. But it also makes it more dependent on the investment cycle in that market.

In high-density markets, certification and reliability create switching costs. Once a customer designs a facility around an architecture, it changes suppliers carefully. Not because it is technically impossible, but because the operational risk is high. Validating, installing and maintaining critical infrastructure takes time. That process favors incumbent suppliers with a proven track record.

Competitive risk appears if the industry becomes too standardized. If 800 VDC architectures, liquid cooling or prefabricated modules become highly interoperable and comparable, customers can push prices down across suppliers. Vertiv's moat depends on sustaining differentiation in design, execution, services and speed of delivery, not just on having products available.

## Main competitors

Let's look at each of these competitors in a bit more detail:

**Schneider Electric** is probably the most complete competitor in electrification and energy management. It has global scale, a strong brand, presence in data centers and a broad ecosystem of products and software. Its advantage is portfolio depth and its relationships with corporate and industrial cus-

tomers. Its disadvantage, compared with Vertiv, is that the data center is one part of a much broader business.

**Eaton** is another very relevant competitor. Its electrical business benefits from many of the same trends as Vertiv: electrification, grid upgrades, data centers, distributed energy and resilience. Eaton can compete strongly in power distribution, UPS and components. Eaton offers more diversified exposure; Vertiv offers more concentrated exposure to data centers.

**ABB** has deep capabilities in power infrastructure, automation and power technologies. In the transition to 800 VDC, ABB also appears as a relevant player. This matters because Vertiv is not alone in the technology shift. The collaboration with Nvidia is positive, but the future architecture will probably have several strategic suppliers.

**Legrand and nVent** compete in more specific layers of the physical stack: racks, cabinets, cable management, distribution, enclosure systems and related solutions. They do not have exactly the same profile as Vertiv, but they can capture part of the value in data center projects. In some cases they could be complementary; in others, direct competitors in specific categories.

**Delta Electronics** is a particularly important competitor in Asia. It has scale in power electronics, cooling and data center solutions. Its cost structure and proximity to certain Asian supply chains can be an advantage. For Vertiv, Asia is an attractive region, but probably more contested and with less ability to capture premium pricing than the Americas.

Vertiv has a strong position, a relevant brand, focus, scale and customer relationships. But it competes against very capable companies. That is why, in the long-term model, it is not wise to assume margins will keep expanding indefinitely. Part of the excess profitability may attract competition and price pressure.

## Vertiv's moat

Vertiv does not have a CUDA-type moat like Nvidia, a closed ecosystem like Apple, or a global user network that reinforces the product. Its moat is more industrial and operational.

The first component of the moat is **reliability**. In critical infrastructure, track record matters. Customers do not simply choose the cheapest supplier because the cost of a failure can far exceed the initial savings. A UPS that fails, an undersized cooling system or a faulty integration can have enormous consequences. This context favors suppliers with reputation and experience.

The second is **integration**. Vertiv can offer power, cooling, racks, modules, monitoring and services. That breadth allows it to design more complete solutions and reduce complexity for the customer. Not every customer needs an end-to-end supplier, but high-density AI projects tend to value integration because the whole system must work as a unit.

Then there is the **installed base**. Every system sold creates future opportunities for maintenance, spare parts, upgrades and services. In theory, this can generate more stable revenue and long-term relationships. The larger the installed base of AI data centers, the greater the potential for lifecycle services.

Finally, **speed of delivery**. In a market where AI capacity can have enormous strategic value, delivering fast is a competitive advantage. If Vertiv can execute complex projects faster than competitors, it can capture premium pricing. But this advantage depends on supply chain, capacity and operating discipline.

In my opinion Vertiv has a medium moat. It is stronger than that of a generic industrial company because it operates in critical systems with switching costs and deep relationships. But it is weaker than that of a technology platform with lock-in.

## SWOT analysis

Vertiv's **strengths** are clear. It has direct exposure to AI data centers, a broad portfolio in power and cooling, global scale, relationships with major customers and an installed base that can generate future services. In addition, it has been showing solid execution, margin expansion and cash generation.

Its **weaknesses** are also important. It is not a company with an absolute technological moat. It competes against industrial giants with enormous resources. It depends on physical projects, supply chain and capex cycles. In addition, the current valuation leaves little room for error. A great company can be a bad investment if bought too expensive.

The **opportunities** lie in the expansion of *AI factories*, the transition to 800 VDC, the growth of liquid cooling, the modularization of data centers, lifecycle services and the possibility of increasing content per rack. If AI racks go from tens to hundreds of kW and then to megawatts, the value of physical infrastructure per unit of computing could increase.

The **threats** come from demand normalization, competition, price pressure, delays due to power or permits, technological change and multiple compression. The most dangerous risk is not necessarily that Vertiv stops growing, but that it grows less than the current price requires.

The SWOT shows a high-quality company but with a demanding risk-reward. In portfolio terms, Vertiv looks like a company to watch closely and eventually buy on corrections, rather than an obvious opportunity at any price.

The key will be to monitor mainly three variables: organic orders, adjusted operating margin and cash conversion. If all three hold for several quarters, the bullish thesis gains strength. If any deteriorates, the current valuation can become vulnerable.

## Porter's five forces

**Rivalry among existing competitors is medium-high**. The market is growing fast, which temporarily reduces competitive pressure, but the participants are strong. Schneider, Eaton, ABB, Legrand, nVent and Delta have real capabilities. While demand exceeds supply, everyone can grow. When the cycle normalizes, rivalry may increase.

**The threat of new entrants is low**. It is not easy to enter critical infrastructure for data centers. It takes engineering, certifications, customer relationships, manufacturing capacity, global services and reputation. Even so, specialized players could appear in niches of liquid cooling or power electronics. Full entry is difficult; partial entry is possible.

**Supplier bargaining power is medium**. Vertiv depends on electrical components, materials, power electronics, logistics and industrial capacity. In times of shortage, suppliers can capture part of the value. Vertiv's scale helps, but it does not eliminate supply chain risk.

**Customer bargaining power is low in the current cycle, but structurally medium-high**. Today customers need capacity fast, which favors suppliers. But the large hyperscalers have scale, technical sophistication and negotiating capacity. If supply normalizes, they could push prices and terms.

**The threat of substitutes is medium**. There is no obvious substitute for power and cooling in a data center; physics cannot be ignored. But the architecture can change. More efficient designs, new cooling methods, vertical integration by customers or more open standards could reduce the differentiation of some suppliers.

My conclusion from Porter is that Vertiv operates in an industry attractive for its growth, but not bulletproof. Market growth helps, but long-term return on capital will depend on its ability to sustain differentiation, services, speed of delivery and strategic relationships.

SECTION 06

# The bulls vs. the bears

### *What do the bulls say?*

The bullish thesis starts from a simple idea: AI is only just beginning. If the next five to ten years require a massive expansion of computing infrastructure, Vertiv should be one of the most direct beneficiaries. The company does not need to pick which model wins, which chip dominates or which application captures the most users. If more high-density data centers are built, Vertiv takes part in the physical layer they need to exist.

Some bullish arguments:

- Duration of the cycle. Hyperscalers, neoclouds and governments are investing in AI capacity as if it were strategic infrastructure. This is not just about internet traffic growth; it is a race for computing capacity. If that race lasts several years, orders for power and thermal infrastructure can remain at high levels.
- Density. Even if the number of data centers grew at a more moderate pace, density per facility can increase a lot. More powerful racks require more Vertiv content per rack: more power, more cooling, more monitoring, more engineering and more services. This is important because Vertiv's revenue can grow not only through more square meters but through more content per megawatt.
- Margin expansion. If Vertiv manages to sustain an adjusted operating margin in the 23-25% range, the business is transformed. It would no longer be a low-margin industrial, but a critical infrastructure company with secular growth and high profitability. In that scenario, premium multiples could be justified.
- Installed base. Every AI project delivered today can generate services for years. If services increase as a percentage of sales, the company could become less cyclical. A mix with more maintenance, spare parts, monitoring and upgrades would have better revenue quality than purely transactional product sales.
- Proximity to the technology *roadmap*. The collaboration with Nvidia on 800 VDC and the cooling solutions for high-density loads put Vertiv in strategic conversations. If the industry converges on architectures where Vertiv has an early advantage, the company could win a significant share of incremental spending.

### *What do the bears say?*

The bearish thesis does not deny that Vertiv is a good company. In fact, most of the bearish risks start by acknowledging that the business is good, but the price may be too demanding. Even after the fall, at $180 per share the market is still pricing in several years of extraordinary growth and margin expansion. That reduces the margin for error.

Bearish arguments:

- Normalization of data center capex. Hyperscalers may keep investing heavily, but not necessarily at the extreme pace the market extrapolates. If constraints appear in power, permits, return on capital, GPU availability or AI monetization, the pace of construction could moderate. Vertiv would remain relevant, but growth could slow.

- Competition. Schneider, Eaton, ABB and other players are not going to let Vertiv capture all the value. If the 800 VDC and liquid cooling market becomes huge, more capital will come in. Supply can increase and margins can compress. In attractive industrial sectors, high profitability usually attracts competition.
- Bargaining power of large customers. Hyperscalers are sophisticated buyers with enormous scale. Today they can accept high prices because they need capacity fast. But if supply normalizes, those customers can push terms, demand discounts, diversify suppliers or internalize parts of the design. Bargaining power can shift with the cycle.
- Valuation. With a market capitalization of about USD 71 billion and adjusted free cash flow guidance of about USD 2.7 billion for 2026, the free cash flow yield is around 3.8%, still low for an industrial company. The market is capitalizing future growth with a lot of confidence. Any disappointment in orders, margins or guidance can trigger a sharp compression, as already seen after the third-quarter results.
- Cyclicality. Part of the business still depends on capex cycles. AI infrastructure is structural, yes, but the annual pace of construction can be volatile.

## Main risks

The most obvious risk is **valuation**. At these levels Vertiv does not simply need to deliver; it needs to beat or sustain high expectations. A company can keep growing and still fall if the market expected more. In a stock that has already had a very strong re-rating, multiple risk is as important as operating risk.

The second risk is an **order slowdown**. The current backlog provides visibility, but investors will watch the evolution of orders and book-to-bill. If orders normalize sooner than expected, the market could anticipate a slowdown in future sales. In this type of company, the stock can react more to orders than to reported sales.

The third risk is **margin pressure**. Adjusted operating margin guidance for 2026 is very strong. But keeping margins above 23% will require pricing, favorable mix, operating efficiency and cost control. If materials, logistics or labor costs rise, or if customers push prices, the expansion could stall.

The fourth risk is **capacity execution**. Growing fast can be dangerous. Vertiv needs to expand production, manage the supply chain, deliver large projects and maintain quality. In critical infrastructure, an operating mistake can damage customer relationships and reputation. Strong demand is positive, but it can also stress the organization.

The fifth risk is **technological**. If power or cooling architectures evolve in a direction where another supplier has an advantage, Vertiv could lose share. The company is investing in 800 VDC and liquid cooling, but the final standard is not yet fully defined. In periods of technological transition, being early helps but does not guarantee permanent leadership.

The sixth risk is **regulatory and environmental**. Data centers consume a lot of energy and water and face growing scrutiny from communities, governments and regulators. If permits become harder or projects are delayed by access to power, Vertiv could suffer indirectly. Final demand may exist, but physical construction can be delayed.

SECTION 07

# Valuation

I built a ten-year **discounted cash flow (DCF)** model with two methods for the terminal value: **perpetuity growth** and an **exit multiple on EBITDA**. The target price is the average of both in the base case.

## Model inputs and assumptions

| 2. Operating drivers by scenario (explicit forecast) | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Driver** | **Δ vs Base** | **FY2023A** | **FY2024A** | **FY2025A** | **3Y avg** | **FY2026E** | **FY2027E** | **FY2028E** | **FY2029E** | **FY2030E** | **FY2031E** | **FY2032E** | **FY2033E** | **FY2034E** | **FY2035E** |
| *Forecast year #* | | | | | | *1* | *2* | *3* | *4* | *5* | *6* | *7* | *8* | *9* | *10* |
| **Revenue growth ▸ selected scenario** | | 20.6% | 16.7% | 27.7% | **21.6%** | **43.0%** | **32.0%** | **22.0%** | **13.0%** | **8.0%** | **7.0%** | **6.0%** | **5.0%** | **4.5%** | **4.0%** |
| Best case | 5.0% | | | | | 48.0% | 37.0% | 27.0% | 18.0% | 13.0% | 12.0% | 11.0% | 10.0% | 9.5% | 9.0% |
| Base case | | | | | | 43.0% | 32.0% | 22.0% | 13.0% | 8.0% | 7.0% | 6.0% | 5.0% | 4.5% | 4.0% |
| Worst case | (8.0%) | | | | | 35.0% | 24.0% | 14.0% | 5.0% | – | (1.0%) | (2.0%) | (3.0%) | (3.5%) | (4.0%) |
| **Gross margin ▸ selected scenario** | | 35.0% | 36.6% | 36.3% | **36.0%** | **36.5%** | **37.5%** | **38.5%** | **39.0%** | **39.5%** | **40.0%** | **40.5%** | **40.5%** | **40.5%** | **40.5%** |
| Best case | 2.0% | | | | | 38.5% | 39.5% | 40.5% | 41.0% | 41.5% | 42.0% | 42.5% | 42.5% | 42.5% | 42.5% |
| Base case | | | | | | 36.5% | 37.5% | 38.5% | 39.0% | 39.5% | 40.0% | 40.5% | 40.5% | 40.5% | 40.5% |
| Worst case | (3.0%) | | | | | 33.5% | 34.5% | 35.5% | 36.0% | 36.5% | 37.0% | 37.5% | 37.5% | 37.5% | 37.5% |
| **EBIT margin ▸ selected scenario** | | 13.4% | 17.3% | 18.6% | **16.4%** | **21.0%** | **21.5%** | **22.0%** | **22.5%** | **23.0%** | **23.0%** | **23.0%** | **23.0%** | **23.0%** | **23.0%** |
| Best case | 3.0% | | | | | 24.0% | 24.5% | 25.0% | 25.5% | 26.0% | 26.0% | 26.0% | 26.0% | 26.0% | 26.0% |
| Base case | | | | | | 21.0% | 21.5% | 22.0% | 22.5% | 23.0% | 23.0% | 23.0% | 23.0% | 23.0% | 23.0% |
| Worst case | (5.0%) | | | | | 16.0% | 16.5% | 17.0% | 17.5% | 18.0% | 18.0% | 18.0% | 18.0% | 18.0% | 18.0% |
| **Capex % of revenue ▸ selected scenario** | | 1.9% | 2.1% | 2.2% | **2.0%** | **4.0%** | **3.5%** | **3.0%** | **2.5%** | **2.5%** | **2.0%** | **2.0%** | **2.0%** | **2.0%** | **2.0%** |
| Best case | – | | | | | 4.0% | 3.5% | 3.0% | 2.5% | 2.5% | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% |
| Base case | | | | | | 4.0% | 3.5% | 3.0% | 2.5% | 2.5% | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% |
| Worst case | 0.5% | | | | | 4.5% | 4.0% | 3.5% | 3.0% | 3.0% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% |

Source: author's analysis.

**Revenue growth.** For 2026 I use +43%, in line with the midpoint of guidance (USD 14.65 billion), which has already been raised several times. From there I assume a gradual slowdown: +32% in 2027 (orders growing more than 100% give a lot of visibility), +22% in 2028, +13% in 2029, +8% in 2030 and then a gradual decline to 4% in 2035. No capex cycle grows at 30% forever.

**EBIT margin.** I use 21% GAAP in 2026, rising to stabilize at 23% from 2030. Management is targeting an adjusted margin of about 25%, equivalent to 22.5-23% GAAP. I believe the target, but I do not give it anything beyond that.

**Gross margin.** From 36.5% in 2026 to 40.5% at maturity, because of the greater weight of liquid cooling and services, which have higher margins than traditional hardware.

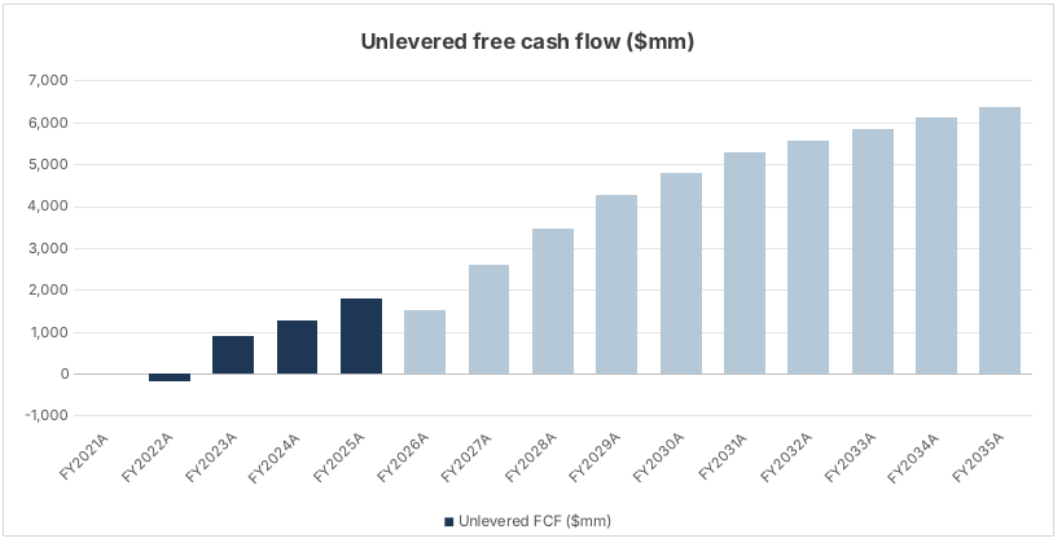
**CapEx.** 4% of sales in 2026 (the company's guidance), because of capacity expansion in the Americas, normalizing toward 2% in the long term. It is a structurally capital-light business.

**Working capital.** Receivable days (105) and inventory days (75) are inflated by the record backlog and large projects. I keep them at those levels, with payable days of 82.

What does each scenario mean?

- **Base Case:** AI demand remains strong in 2026 and 2027 and then growth normalizes, with margins in line with management's target.
- **Best Case:** AI demand not only holds up but accelerates, with double-digit growth through 2030 and EBIT margins above 26%. It adds 5 points of growth per year, 2 of gross margin and 3 of EBIT margin.

- **Worst Case:** hyperscalers cut capex from 2027, Schneider and Eaton pressure margins and the multiple compresses toward that of an ordinary cyclical industrial. It subtracts 8 points of growth, 3 of gross margin and 5 of EBIT margin.




Source: author's analysis.

## Discount rate (WACC)

| 5. Discount rate (WACC) | | Value |
|---|---|---|
| **Risk-free rate** | | 4.9% |
| **Equity beta (levered)** | x | 1.40 |
| Equity risk premium | | 4.2% |
| Country risk premium | | – |
| Cost of equity | | 10.8% |
| Pre-tax cost of debt | | 6.0% |
| Tax rate (debt tax shield) | | 23.5% |
| After-tax cost of debt | | 4.6% |
| Market value of equity | $ mm | 70,881 |
| Total debt | $ mm | 3,228 |
| Debt / (Debt + Equity) | | 4.4% |
| Equity / (Debt + Equity) | | 95.6% |
| | | |
| **WACC** | | 10.5% |

Source: author's analysis.

I use a 4.9% risk-free rate, a 4.2% equity risk premium and a beta of 1.4 (the five-year historical beta is 2.21, but it reflects the stock's extreme re-rating). The result is a **cost of equity of 10.8%**. For debt I use a 6% pre-tax cost. With a capital structure of 95% equity and 5% debt, the **resulting WACC is 10.5%**.

To go from Enterprise Value to Equity Value I subtracted net debt of USD 1,372 million (end of 2025). I use 393 million diluted shares.

# Model results

## PERPETUITY METHOD

With 2.5% perpetual growth and a 20% return on new invested capital, the model gives an Enterprise Value of USD 55,643 million and an Equity Value of USD 54,271 million, equivalent to **USD 138.09 per share**.



**Vertiv Holdings Co**

VRT · Discounted Cash Flow · Perpetuity Growth Method

*Valuation date 6 Nov 2026 · USD mm · Scenario: Base Case*

AZ STOCKS Acciones de la A a la Z

**INTRINSIC VALUE PER SHARE**

**$138.09**

| | |
|---|---|
| Current share price | $180.36 |
| Upside / (downside) | (23.4%) |

**VALUATION SUMMARY**

| | |
|---|---|
| Enterprise value | 55,643 |
| Equity value | 54,271 |
| PV of forecast cash flows | 27,262 |
| PV of terminal value | 28,382 |
| Terminal value % of EV | 51.0% |
| Implied exit EV / EBITDA | 7.7x |

**KEY ASSUMPTIONS**

| | |
|---|---|
| WACC (year 1) | 10.5% |
| Terminal WACC | 10.5% |
| Terminal growth (g) | 2.5% |
| RONIC (terminal) | 20.0% |
| Net debt & other claims | 1,372 |
| Diluted shares (mm) | 393.0 |

**SCENARIOS**

| Scenario | Terminal growth | Enterprise value | Equity value | Value per share | Upside |
|---|---|---|---|---|---|
| **Best case** | 3.0% | 93,917 | 92,545 | **$235.48** | +30.6% |
| **Base case** | 2.5% | 55,643 | 54,271 | **$138.09** | (23.4%) |
| **Worst case** | 2.0% | 24,227 | 22,855 | **$58.15** | (67.8%) |
| *Current share price* | | | | *$180.36* | |

**VALUE PER SHARE VS. CURRENT PRICE**



**SENSITIVITY · VALUE PER SHARE**

*Terminal growth rate (g)*

| WACC / g | 1.5% | 2.0% | 2.5% | 3.0% | 3.5% |
|---|---|---|---|---|---|
| 9.5% | $151.83 | $154.96 | $158.54 | $162.67 | $167.48 |
| 10.0% | $142.25 | $144.78 | $147.64 | $150.90 | $154.68 |
| 10.5% | $133.75 | $135.79 | **$138.09** | $140.70 | $143.68 |
| 11.0% | $126.15 | $127.82 | $129.68 | $131.77 | $134.14 |
| 11.5% | $119.33 | $120.69 | $122.19 | $123.88 | $125.78 |

Source: author's analysis.

In the Best Case the value is **USD 235.48** and in the Worst Case **USD 58.15**.

With a WACC half a point lower, the value rises to USD 148; with one half a point higher, it falls to USD 130.

## EBITDA MULTIPLE METHOD

Applying an **11x** multiple to EBITDA in the last projected year of the Base Case (15x in the Best Case and 8x in the Worst Case), the model gives an Enterprise Value of USD 68,005 million and a value of **USD 169.55 per share**.

## Vertiv Holdings Co

VRT · Discounted Cash Flow · Exit Multiple Method

*Valuation date 6 Nov 2026 · USD mm · Scenario: Base Case*

AZ STOCKS Acciones de la A a la Z

**INTRINSIC VALUE PER SHARE**

**$169.55**

| | |
|---|---|
| Current share price | $180.36 |
| Upside / (downside) | (6.0%) |

**VALUATION SUMMARY**

| | |
|---|---|
| Enterprise value | 68,005 |
| Equity value | 66,633 |
| PV of forecast cash flows | 27,262 |
| PV of terminal value | 40,743 |
| Terminal value % of EV | 59.9% |
| Implied perpetual growth | 4.0% |

**KEY ASSUMPTIONS**

| | |
|---|---|
| WACC (year 1) | 10.5% |
| Terminal WACC | 10.5% |
| Exit EV / EBITDA | 11.0x |
| EBITDA, final forecast year | 9,243 |
| Net debt & other claims | 1,372 |
| Diluted shares (mm) | 393.0 |

**SCENARIOS**

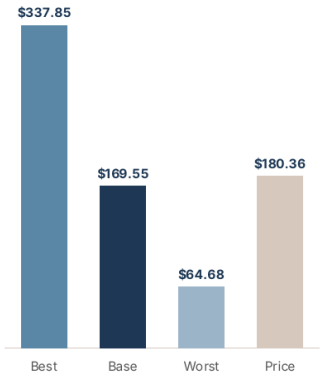
| Scenario | Exit multiple | Enterprise value | Equity value | Value per share | Upside |
|---|---|---|---|---|---|
| **Best case** | 15.0x | 134,145 | 132,773 | **$337.85** | +87.3% |
| **Base case** | 11.0x | 68,005 | 66,633 | **$169.55** | (6.0%) |
| **Worst case** | 8.0x | 26,790 | 25,418 | **$64.68** | (64.1%) |
| *Current share price* | | | | *$180.36* | |

**SENSITIVITY · VALUE PER SHARE**

*Exit EV / EBITDA multiple*

| WACC / multiple | 9.0x | 10.0x | 11.0x | 12.0x | 13.0x |
|---|---|---|---|---|---|
| 9.5% | $161.04 | $171.29 | $181.53 | $191.77 | $202.01 |
| 10.0% | $155.76 | $165.59 | $175.41 | $185.24 | $195.06 |
| 10.5% | $150.70 | $160.12 | **$169.55** | $178.97 | $188.40 |
| 11.0% | $145.84 | $154.89 | $163.93 | $172.97 | $182.02 |
| 11.5% | $141.18 | $149.86 | $158.54 | $167.22 | $175.90 |

**VALUE PER SHARE VS. CURRENT PRICE**




Source: author's analysis.

The exit multiple has to reflect the business it will be, not the one it is today. In 2035 Vertiv would be growing at 4%: an excellent but mature industrial. With a 10.5% WACC, 11x already implies 4% perpetual growth, so a higher multiple would imply Vertiv grows faster than the economy forever.

In the Best Case the value is **USD 337.85** and in the Worst Case **USD 64.68**.

### *Reading both methods together*

Averaging both methods in the base case, I arrive at a **target price of USD 154 per share**, compared with a market price of USD 180.36. That is a downside of about 15%.

The stock's fall has greatly improved the risk-reward, but it is not yet enough. To justify the current price, Vertiv would have to approach the Best Case (between USD 235 and USD 338): double-digit growth throughout the decade and margins above 26%.

SECTION 08

# Conclusion

Vertiv is one of the most interesting stories in the AI ecosystem because it sits in a layer the market underestimated for a long time: physical infrastructure. Without power, cooling and operational continuity, there are no AI factories. That reality turned Vertiv into a strategic supplier for the expansion of high-density computing.

The third quarter of 2026 confirmed it: sales +61%, organic orders that doubled, a 25% adjusted operating margin and another guidance raise. The company is growing fast, expanding margins, generating cash, has net cash, and its exposure to AI does not depend on picking the final winner among models or applications.

But price matters. The stock has already fallen more than 50% from its high, which makes it considerably more interesting. Even so, my model gives a **target price of USD 154 per share**, versus a price of USD 180. With assumptions that are already demanding (43% growth in 2026 and 32% in 2027, a 23% EBIT margin), the current price still discounts something closer to the Best Case.

**Vertiv remains, for me, a very high-quality company to keep on the watchlist. At these prices I would not buy it, although at a somewhat lower price I would start building a position. I would follow orders, backlog, operating margin and cash conversion closely: if the market offers another correction without a deterioration in fundamentals, Vertiv could become a very interesting opportunity. The difference between a great company and a great investment is, as always, valuation.**

*Alan*




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