

Siemens Energy (ENR)

Germany | Xetra | Large Cap | Energy

Rating:

Buy

12 M Target price: 150 EUR
Current price: 118EUR
Difference: 27%

An energy boom fueling Europe's future

Siemens Energy AG has delivered a remarkable turnaround in 2025, with the stock surging over 135% year-to-date, driven by structural tailwinds from Europe's green transition, improved financial performance, and a stabilizing wind division. The company now benefits from record order backlog (€138B), strong growth in power grid and gas infrastructure, and early signs of recovery in its once-troubled wind unit (Siemens Gamesa). With EPS expected to more than double in 2026, the market has rewarded Siemens Energy with a significant re-rating.

Key insights

Massive Structural Tailwinds: Siemens Energy is a direct beneficiary of Europe's €300B+ green energy acceleration (REPowerEU, Green Deal). With record demand for grid expansion, wind and hydrogen, it holds critical infrastructure positioning across all pillars of the energy transition.

Validated Turnaround with Explosive Growth: The company reversed years of losses in 2025 reporting €1.7B net income, €4.7B free cash flow, and a 65% YoY surge in orders. Profitability momentum is accelerating across all divisions except wind (which is narrowing its losses).

Optionality + Re-Rating Potential: Despite 135% YTD rally, Siemens Energy trades at ~30–35x forward earnings which is below U.S. peers like GE Vernova. Potential spin-off of wind division or faster margin expansion could unlock further upside and justify a higher valuation.

Analyst

Gor Grigoryan Fund Analyst

Market Data

Exchange	XETRA
Trading Currency	EUR
Share Class	Ordinary
Shares OS	864M
Market Cap	130B EUR
EV	112 918M EUR

Metrics & Drivers	2025	2026E	2027E
EV/EBITDA	28x	15x	10x
EBITDA Margin	9%	12%	14%
P/E	40x	30x	20x
EPS	1,63€	3,4€	4€

Major Shareholders (votes)

Siemens Aktiengesellschaft	7,55%
BlackRock, Inc.	5,07%
JPMorgan Chase & Co.	4,63%
Siemens Pension Trust e.V.	3,68%
The Vanguard Group, Inc.	2,83%
UBS Asset Management (UK)	2,81%

Stock Price Movement 1YR%





Company Overview

Siemens Energy AG is a global energy technology company headquartered in Germany, operating across the full energy value chain, from power generation and transmission to industrial energy solutions. Formed as a spin-off from Siemens AG in 2020, Siemens Energy has emerged as a critical enabler of the global energy transition, offering technologies and services spanning gas and steam turbines, renewable energy (primarily wind via Siemens Gamesa), grid infrastructure, hydrogen electrolyzers, and energy consulting.

Leading Role in Energy Infrastructure & Grid Expansion

Siemens Energy is one of the world's leading suppliers of power transmission systems and grid solutions. Its Grid Technologies segment supports utilities and governments in upgrading aging infrastructure and integrating intermittent renewable energy sources. The global push for electrification and the doubling of global transmission capacity by 2050, as projected by the IEA, creates a secular growth opportunity. Siemens Energy is well positioned to benefit from large-scale investments in grid resilience, digital substations, and high-voltage direct current (HVDC) systems, as evidenced by recent project wins like the Viking Link (UK–Denmark) and Adriatic Link (Italy).

Strategic Position in Hydrogen & Energy Transition Technologies

Siemens Energy is also at the forefront of green hydrogen development. Through its Electrolyzer business and its Berlin gigafactory, it is developing next-generation proton exchange membrane (PEM) electrolyzers. It has secured landmark hydrogen projects across Europe, including a 280 MW electrolyzer for EWE's "Clean Hydrogen Coastline" in Germany and a 200 MW unit for Air Liquide's Normand'Hy project in France. These investments align the company with the EU's hydrogen strategy and position it as a key player in the emerging hydrogen economy. Siemens Energy also benefits from growth in natural gas infrastructure, AI/data center-driven demand, and lifecycle service contracts that provide stable recurring revenues..

Market Overview

The global energy landscape is undergoing a historic transformation, driven by climate imperatives, geopolitical risk, and aging infrastructure. Governments and corporations alike are accelerating investment in renewable energy, electrification, and grid modernization to meet net zero targets and ensure long-term energy security.

Globally, renewable energy investments are projected to reach over \$1.2 trillion annually by 2030, according to the IEA. However, transmission and grid bottlenecks pose a major hurdle, total global grid length needs to double by 2050 to support electrification and distributed energy sources. This has elevated power infrastructure to the center of policy and capital spending.

Simultaneously, natural gas and hydrogen are gaining traction as transitional and future fuels, respectively. Gas remains crucial for grid stability and is increasingly blended with hydrogen to decarbonize existing infrastructure. The hydrogen market, still nascent, is expected to grow exponentially, with green hydrogen production forecasted to scale more than 10x by 2030.

This macro environment creates a rare opportunity for companies like Siemens Energy, which operates across the entire energy value chain, from generation and conversion to transmission and long-term service. Its exposure to both traditional and next-generation energy systems, alongside government backed demand visibility, positions the company to benefit from long-term secular trends with high barriers to entry.

Investment Thesis

Siemens Energy is a Critical Enabler of Europe's Green and Grid Transformation:

Siemens Energy plays a central role in enabling Europe's ambitious energy transition, which is driven by massive public investment and geopolitical urgency. The EU's REPowerEU initiative and Green Deal Industrial Plan together allocate over €300 billion towards decarbonization, including modernization of power grids, renewable energy expansion, and hydrogen development. Siemens Energy is directly exposed to this transformation through its leading positions in high-voltage transmission systems (HVDC), offshore wind solutions, and electrolyzer technology. The company's record order backlog of €138 billion at the end of 2025, up sharply from prior years, reflects its growing role in delivering mission-critical infrastructure. Notable project wins such as Viking Link (765 km HVDC between the UK and Denmark) and Italy's Adriatic Link demonstrate both technical leadership and regional breadth. As Europe continues to electrify industries, transport, and heating, demand for Siemens Energy's technologies will remain structurally supported. This positioning gives the company high revenue visibility and makes it a long-term beneficiary of one of the most powerful megatrends in global infrastructure.

Turnaround Executed – From Loss Making to Strong Profitability and Capital Returns:

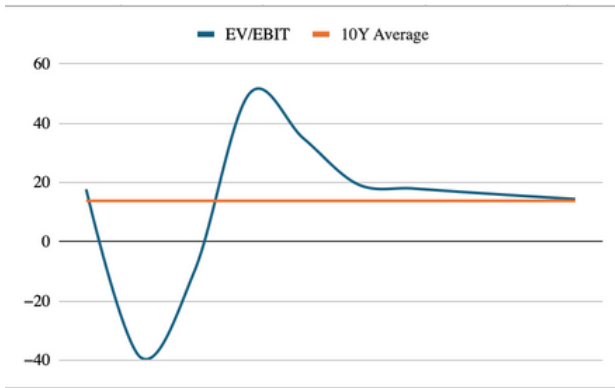
Siemens Energy has successfully turned around its financial trajectory in 2025 after several years of losses and uncertainty, particularly tied to its wind unit. Full year net income came in at €1.685 billion, a strong improvement from €1.335 billion in 2024, driven by broad based growth across all four business segments. Adjusted EBIT before special items surged to €2.355 billion, with EBIT margins expanding from ~2.5% to ~6%. Key to the turnaround has been the integration and restructuring of Siemens Gamesa, the troubled wind subsidiary, where cost optimization and quality assurance programs are finally showing results. Meanwhile, the gas services division and grid technologies segment are delivering robust order growth and cash flow. Importantly, Siemens Energy has resumed its dividend (€0.70/share for FY2025) and initiated an ambitious capital return plan, targeting up to €10 billion by 2028, including €6 billion in share buybacks. These actions signal both financial health and management confidence. The strong free cash flow of €4.66 billion in FY2025 further underscores the sustainability of this turnaround. With clearer governance, reduced losses, and capital discipline, Siemens Energy now commands greater investor trust and improved valuation optics.

Optionality in Green Hydrogen and Re-Rating Potential vs. Global Peers:

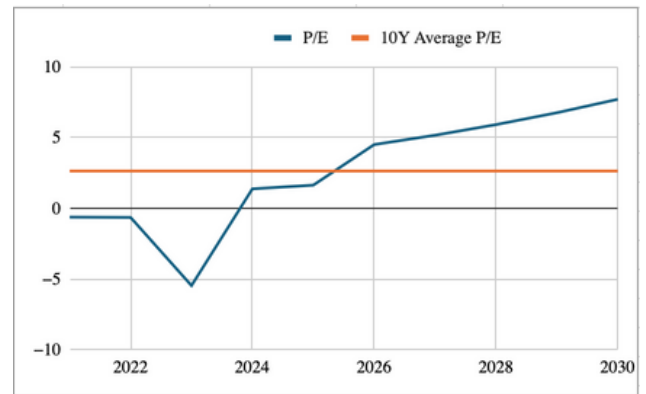
Beyond its core businesses, Siemens Energy offers long term optionality through its early leadership in green hydrogen, a sector expected to play a central role in decarbonizing heavy industry and balancing intermittent renewables. The company has invested in a new gigafactory for electrolyzers in Berlin and secured high-profile projects such as the 280 MW Clean Hydrogen Coastline initiative in Emden, Germany, and the 200 MW Normand'Hy project in France. These are supported by EU and national subsidies under IPCEI frameworks. Although hydrogen revenues are still modest, they position Siemens Energy for exponential growth as the hydrogen economy scales. From a valuation standpoint, even after a ~135% rally in 2025, the stock trades at a forward P/E of ~30–35x based on 2026E earnings is still significantly lower than U.S. peer GE Vernova, which trades closer to ~40x. This relative discount, coupled with stronger balance sheet metrics and an improving narrative, provides room for a re-rating. If the company continues executing its growth and margin targets (e.g., 11–13% revenue growth and ~10% EBIT margin in 2026), it could justify a higher multiple and attract more institutional capital seeking exposure to the energy transition.

Investment Thesis Overview

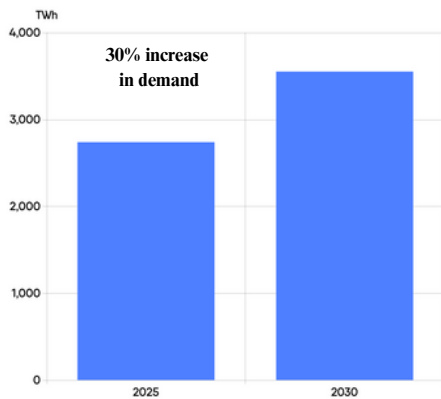
EV/EBIT vs 5Y Average



P/E vs 10Y Average

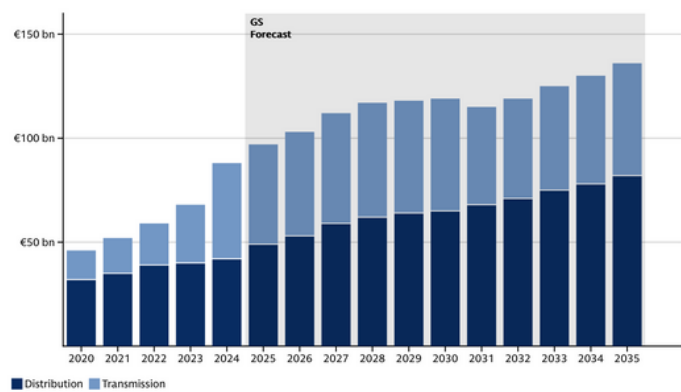


Electricity demand in Europe 2025 vs 2030



Source: Euroelectric

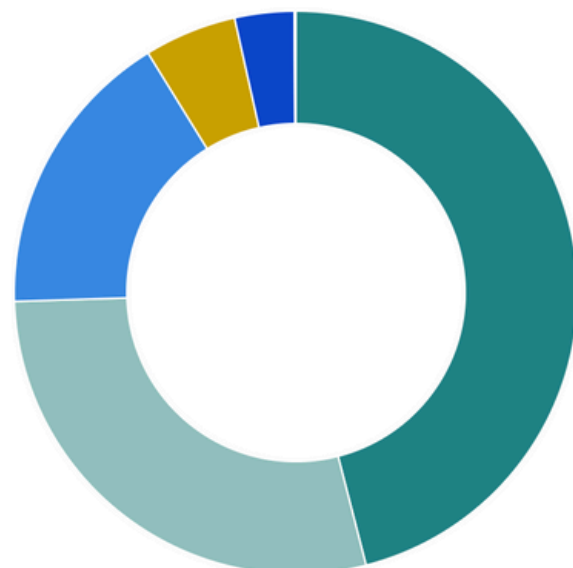
Europe's capex on transmission and distribution



Source: Goldman Sachs

European diversification of energy

- 46.0% Renewable energy
- 28.5% Nuclear energy
- 16.7% Solid fuels
- 5.3% Natural gas
- 3.4% Crude oil
- 0.1% Other



Source: Eurostat



Valuation

Peer Valuation

Company Name	Market Data			Financial Data (LTM)			
	Price (USD per share)	Market Cap (mUSD)	Enterprise Value (mUSD)	Sales (mUSD)	EBITDA (mUSD)	EBIT (mUSD)	Earnings (mUSD)
GE Vernova	150	72000	78000	34000	3400	2300	1600
Mitsubishi Heavy Industries	85	63000	68000	33000	4100	3000	2100
Hitachi Energy	n/a	45000	48000	27000	3200	2300	1800
Schneider Electric	240	130000	145000	39000	7000	5000	4000

Valuation (LTM)				
	EV/Sales (x)	EV/EBITDA (x)	EV/EBIT (x)	P/E (x)
Siemens Energy	2,5x	15x	17,5x	30x
GE Vernova	2,3x	22,9x	33,9x	45,0x
Mitsubishi Heavy Industries	2,1x	16,6x	22,7x	30,0x
Hitachi Energy	1,8x	15,0x	20,9x	25,0x
Schneider Electric	3,7x	20,7x	29,0x	32,5x
Average	2,5x	18,8x	26,6x	33,1x
Median	2,2x	18,6x	25,8x	31,3x

DCF

DCF	2021A	2022A	2023A	2024A	2025A	2026E	2027E	2028E	2029E	2030E
NOPAT		(1 633)	(3 710)	(1 220)	73	4 623	4 982	5 368	5 782	6 227
(+) D&A		1 633	1 515	1 511	1 781	1 861	1 945	2 032	2 124	2 219
(-) CapEX		(1 157)	(1 228)	(1 514)	(1 724)	(1 718)	(1 838)	(1 967)	(2 105)	(2 252)
(-) Change in OWC		(1 281)	(2 067)	(1 731)	(1 384)	891	(774)	(829)	(887)	(949)
Discount period						1	2	3	4	5
Unlevered FCF		(2 438)	(5 490)	(2 954)	(1 254)	5 657	4 314	4 604	4 915	5 246
Present Value of FCF						5 246	3 710	3 672	3 635	3 598
Terminal Value										142 417
Present Value of Terminal Value										97 689
Sum of FCF									17%	19 863
TV									83%	97 689
EV										117 552
(-) Debt										3 966
(+) Cash										9 162
Equity Value										130 680
Share outstanding										868,214
Equity Value per Share										150,52



Appendix

DCF assumptions

Based on the investment thesis and identified catalysts, the terminal growth rate (TGR) is set at 3.0%, reflecting both structural growth opportunities and Siemens Energy's stable long-term profile within energy infrastructure and grid modernization.

The risk-free rate is based on the 10Y German Bund yield, currently at 2.5%, reflecting a market-consistent benchmark. The market risk premium is assumed at 6.0%, as per PwC's 2025 Risk Premium Study. We apply a beta of 1.0, which is lower than market-reported values (e.g., 1.81 on Yahoo Finance). We believe these inflated figures are distorted by short-term volatility, particularly related to Siemens Gamesa's restructuring, and do not reflect the true systematic risk of Siemens Energy's core business.

Given the company's essential role in energy infrastructure, public sector exposure, and stable cash flow visibility, a beta of 1.0 better captures its long-term operational and risk profile, in line with sector averages. The cost of equity is therefore calculated at 8.0%, and the after-tax cost of debt at 2.4% ($3.2\% \times (1 - 24\%)$), consistent with Siemens Energy's conservative leverage and solid credit standing. With a capital structure of ~97% equity, this results in a WACC of 7.83%.

WACC	
Market Cap	129 290
% of Equity	97,02%
Risk Free Rate	2,50%
Beta	1
Market Risk Premium	6%
Cost of Equity	8,00%
Debt	3 966
% of Debt	2,98%
Cost of Debt	3,20%
Tax Rate	24%
Total	133 256
WACC	7,83%

Data sources: Fast Balder AB Quarter & Annual Reports, BörsData, Nasdaq.



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