

# AN INDIRECT BET ON ARTIFICIAL INTELLIGENCE

*This is a long analysis and in-depth look at an indirect investment idea for Artificial Intelligence.*

## GE VERNOVA (GEV)

*Electricity demand: the new industrial revolution!!! But who will power AI data centers? Among the big names are Siemens Energy and GE Vernova. Hopefully, they'll drop, for some reason, by 15%, for example, because they seem very expensive. But then maybe you'll keep them for years.*

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### GE Vernova: Powering Up For An Electrified Future

(Rating: Strong Buy) | By Talha Quraishi

When GE Vernova \$GEV announced it would acquire the remaining 50% stake in Prolec GE its long-standing joint venture with Mexico's Xignux for \$5.3 billion, my first thought was simple: this is not just another acquisition it's a power move.

For decades, GE has built its empire on turbines, transmission, and trust. But the world it once powered with gas and steam is now shifting to one powered by electrons and semiconductors. Electricity demand is exploding, not from households, but from hyperscale data centers, AI infrastructure, and electrified grids. GE Vernova is quietly positioning itself as one of the few companies able to meet this new industrial hunger for power both figuratively and literally.

### The Prolec GE Deal: Doubling Down on Electrification

To me, this acquisition is a strategic declaration. By fully absorbing Prolec GE, Vernova is solidifying control over a critical link in the energy value chain grid equipment. The deal will expand its manufacturing and support footprint across North America, where grid demand is surging amid record data center construction.

Prolec GE expects around \$3 billion in 2025 revenue with an impressive ~25% adjusted EBITDA margin and double-digit growth in the years ahead. That's an enviable profile in an industry known for razor-thin margins and slow growth. More importantly, GE Vernova's electrification segment, which already leads the company's growth, gains deeper vertical integration and pricing power at a time when the world is staring at a transformer shortage.

CEO Scott Strazik put it well: the transaction is "immediately accretive before synergies." That statement might sound dry, but what it really means is this Vernova just bought a growth engine it already knows how to run.

### My Thesis: I'm Loading the Truck Before Q3 Earnings

I'm initiating my coverage on GE Vernova with a Strong Buy ahead of its Q3 2025 earnings release on October 22 (pre-market). My thesis rests on two pillars that are driving both the company's top and bottom line expansion: Power and Electrification.

The company's wind segment remains the weak spot management expects FY25 losses between \$200–\$400 million, and I personally don't see breakeven happening before Q4 2025. Frankly, I'd welcome a divestiture of this unit if Vernova truly wants to become a lean, high-margin industrial. That said, the two core segments Power and Electrification are carrying the company's weight beautifully.

In Q2 2025, Power delivered a 16.4% margin, up 260 bps year-over-year, while Electrification achieved 14.6%, a massive 740 bps jump. Both are being lifted by one of the strongest structural tailwinds in a generation: the accelerating demand for electricity, especially from U.S. data centers and grid modernization efforts.

U.S. revenue alone grew 17.7% year-over-year, and I believe that growth trajectory will only intensify heading into 2026 as more hyperscalers push their power sourcing to the grid edge.

### A Quick Refresher: What GE Vernova Really Is

GE Vernova was spun out of General Electric in 2024 the final piece of GE's long breakup saga. What remains is a focused energy technology and services firm built around three key segments:

◆ Power: gas, nuclear, and hydro generation equipment and services.

◆ Wind: onshore/offshore turbines and blade manufacturing.

◆ Electrification: grid infrastructure, transformers, and energy software systems.

In my opinion, investors should focus squarely on Power and Electrification the company's true growth and profitability engines.

### Why Power and Electrification Are the Core Story

Let's talk numbers.

In Q2, Power's 16.4% margin wasn't just strong it was rare for an industrial name. Revenue climbed 7% year-over-year to \$4.76 billion, driven by strong HA turbine deliveries and services. Backlog expanded from 50 to 55 GW, and management expects to cross 60 GW by year-end a target I see as very achievable.

Electrification, meanwhile, saw 20% revenue growth and backlog soar to \$24 billion. Orders came in at \$3.3 billion, about 1.5x segment revenue, which signals robust demand. The strength here isn't accidental it's structural. With utilities racing to reinforce the grid and upgrade transmission capacity, Vernova's hardware and software portfolio is at the heart of the energy transition.

Wind? Still the laggard a \$165 million EBITDA loss last quarter. But with tariffs easing and service costs normalizing, I expect losses to narrow meaningfully in H2.

### Electricity Demand: The New Industrial Revolution

Global electricity consumption rose 4.3% in 2024, the fastest pace in a decade (IEA). The agency now expects demand to continue growing at ~3.9% annually through 2027. In the U.S., the growth forecast has been revised upward to 2% per year, largely due to one key driver data centers.

That's the silent megatrend behind Vernova's story. Every AI training cluster, every hyperscale compute region, every EV charging corridor they all need power before they need chips. In many cases, power availability, not capital, has become the gating factor for digital infrastructure expansion.

GE Vernova sits right at this intersection, supplying turbines, transformers, and high-voltage systems the unglamorous but indispensable backbone of the AI economy.

Adding to that, industry forecasts suggest a 30% transformer shortage by 2025 which, paradoxically, benefits Vernova by tightening supply and lifting pricing power. This is why I view the Prolec GE acquisition as perfectly timed.

### Q3 2025 Earnings: What I'm Watching

Heading into earnings, here's what's on my radar:

- ◆ Backlog growth: management guided to  $\geq 60$  GW by year-end I expect a beat.
- ◆ Saudi synchronous condenser deal: could add \$1.5 billion in Q3 orders, with long-term potential in the \$5 billion annual range.
- ◆ Electrification acceleration: first-half orders of \$500 million, already near full-year 2024 levels.
- ◆ Wind margin update: I want clarity on when this segment finally turns EBITDA positive.

Top-line guidance: mid-single-digit growth for Power, ~20% for Electrification, low single digits for Wind.

Street consensus expects Q3 revenue growth of 2.8% YOY, which I consider conservative given Vernova's backlog strength.

### Valuation and Comparison

At 74x forward earnings, GE Vernova is not cheap. Its closest peer, Siemens Energy AG, trades around 68x. On a price-to-cash-flow basis, Vernova looks even more expensive roughly 3x higher.

But valuation here is a story of momentum versus maturity. Siemens is seeing deceleration in top-line growth into 2026, while GE Vernova is just entering its growth phase. In my view, paying a premium for accelerating growth and exposure to a generational electrification cycle makes sense particularly when the U.S. market is its core growth engine.

### Risks Worth Watching

Europe remains a soft spot. Revenue in the region declined 1.1% YOY, largely due to affordability issues and delayed HVDC projects. Given that Europe accounts for nearly a quarter of total revenue, weakness here is not trivial. That said, robust U.S. and Middle East demand more than offsets the softness for now.

The other risk is the Wind division, which continues to dilute consolidated margins. Until management proves consistent profitability here, investors should treat this segment as a drag, not a driver.

### The Bottom Line

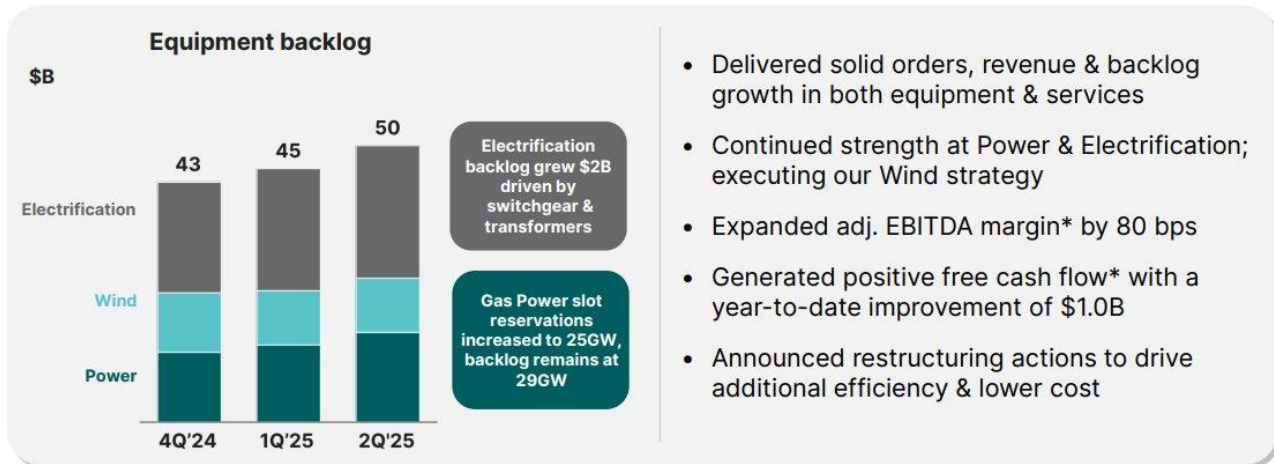
I believe we're witnessing the rebirth of GE not as a sprawling conglomerate, but as a precision-engineered powerhouse built for the electrified age. The Prolec GE acquisition cements its leadership in grid infrastructure, while the Power segment continues to throw off impressive margins and cash flow.

The market is finally realizing that in the age of AI, chips may run the algorithms but power runs the world. And GE Vernova is one of the few companies with both the hardware and the heritage to deliver it.

For that reason, I'm loading up ahead of Q3 earnings and maintaining my Strong Buy rating on GE Vernova.



# Strong 2Q'25 results



Raising our 2025 financial guidance across our key metrics

## Financial Snapshot

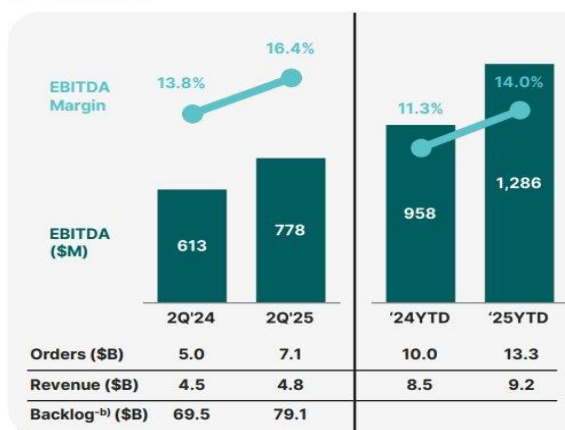


\$ in billions

	2Q'24	2Q'25	'24 YTD	'25 YTD	2Q'25 Dynamics <sup>b)</sup>
Orders	11.8	12.4	21.5	22.5	<b>+4%</b> Robust Power equipment growth & higher services; Electrification demand strength continued, but orders decreased given the value of large equipment orders last year
Backlog <sup>a)</sup>	115.5	128.7			<b>+13.2</b> Significant growth driven by Power & Electrification
Revenue	8.2	9.1	15.5	17.1	<b>+12%</b> Strong growth in both equipment & services
Adjusted EBITDA*	0.5	0.8	0.7	1.2	<b>+0.2</b> Year-over-year growth & expansion driven by more profitable volume, price & productivity
Adjusted EBITDA Margin*	6.4%	8.5%	4.6%	7.2%	<b>80bps</b>
Free cash flow (FCF)*	0.8	0.2	0.2	1.2	<b>(0.6)</b> Higher adj. EBITDA* more than offset by the absence of \$0.3B arbitration refund <sup>c)</sup> , lower positive benefit from working capital & higher taxes

Strong 2Q'25 with continued growth, margin expansion, & increasing backlog<sup>a)</sup>

## Power



### 2Q'25 Dynamics<sup>a)</sup>

Orders robust with 20 heavy duty gas turbines (+6 units year-over-year) & 27 aeroderivative units (+26 year-over-year)

Revenue increased 9%, driven by higher HA deliveries & continued services strength

EBITDA margin expanded as increased price, productivity & volume more than offset additional expenses to support R&D, capacity investments and inflation

### 3Q'25 Outlook<sup>a)</sup>

Expect mid-single digit organic revenue growth; 11-13% EBITDA margin, given typical services seasonality

Robust orders growth, increased revenue & EBITDA margin

EBITDA  
(\$M)

(117)

(165)

EBITDA  
Margin

(5.7)%

(7.3)%

2Q'24

2Q'25

Orders (\$B)

2.2

2.1

Revenue (\$B)

2.1

2.2

Backlog<sup>(b)</sup> (\$B)

25.8

22.5

(289)

(7.8)%

'24YTD

'25YTD

(312)

(7.6)%

## 2Q'25 Dynamics<sup>a)</sup>

Lower Onshore Wind equipment orders year-over-year, yet increased sequentially

Revenue growth of 9% driven by Onshore Wind volume, partially offset by lower Offshore Wind

EBITDA losses increased given higher Onshore Wind services cost & the impact of tariffs at Offshore Wind, partially offset by more profitable Onshore Wind equipment volume

## 3Q'25 Outlook<sup>a)</sup>

Expect revenue down mid-teens, but up low-single digits absent the 3Q'24 offshore contract cancelation settlement; EBITDA approaching breakeven

Executing our strategy

GEV GE Vernova LLC NYSE

Industrial / Industrial Machinery  
Open: 593.86  
High: 596.78  
Low: 581.76  
Prev Close: 594.07

Ask: 596.78  
Bid: 581.76  
Optionable: yes  
Mkt Cap: 159.2B  
Fwd Dividend: 1.0  
SCTR (LrgCap): 86.7

P/E: 140.06  
EPS: 4.18  
Last Earnings: 2025-07-23  
Next Earnings: 2025-10-22

© StockCharts.com  
Tuesday 21-Oct-2025  
▼ -1.47%  
Chg: -8.74  
Last: 585.33  
Volume: 3,943,314

