Eaton Corp PLC (NYSE: ETN) Pitch Note

Company Overview

Eaton is a power management company headquartered in American company headquartered in Dublin, Ireland, that offers power management solutions. Recently changing CEO's, Paulo Ruiz has been serving since June of 2025 after Craig Arnold retired following 9 years of leadership. Operating in 4 main segments, Electrical Americas & Global, Aerospace, Vehicle, and E-Mobility, with the US accounting for 61% of sales in 2024, followed by Europe at 18%, and APAC at 10%. In 1Q/27, ETN will spin off its Vehicle and E-Mobility segments into The Mobility Group, in an effort to focus on its core operations. As of January 29th, ETN was trading at $352.68, with a 52W high of $399.56 and a 52W low of $231.85. The stock is up ~11% in the last year and has a SI of 1.9%, 2.6 Days to Cover, with an S3 Score of 28, making the risk of a short squeeze extremely low.

Market Cap (US $Bs)	Dividend Yield	Shares Out (MMs)	Beta	TTM Rev Growth	TTM EPS
137.3	1.18%	388.4	1.27	8.24%	$10.63

Key Thesis Points

- **Core Operations Continue to Impress:** Excluding E-Mobility and Vehicle, Eaton would have had 12% organic growth in F2025, above peers 9%, while maintaining an operating margin 130 bps higher. Being able to focus on the succeeding areas of the business will allow Eaton to remain best-in-breed for Electrical & Aerospace.
- **M&A Execution Leading Peers:** Eaton's main peer Hubbell has been focused on bolt-ons recently. Eaton put its cash to use by acquiring Fibrebond for $1.4B, with the transaction adding $378M in revenue and $110M in Adjusted EBITDA for F2025, representing a 29.1% adj. EBITDA margin vs ETN's LTM margin of 23.8%. Taking out a target from its main peer and an accretive one further highlight ETN's ability to identify and execute on key acquisitions to grow their market and improve earnings quality.
- **Data Center Spend Keeps Eaton Well Positioned:** The AI bubble has led to some caution among investors, but data center related spending has shown no signs of slowing down. 80% of Eaton's Boyd Thermal's booking are directly tied to data center. With IT infrastructure spending expected to hit $1T by 2030, ETN finds themselves benefitting from an exploding market. On a per-square-foot-basis, cost has increased 50% Y/Y, with the cost related to data center spend moving up in lockstep with total spend.
- **Chip Market Heating up Faster than Data Center:** Eaton and Vertiv recently landed enormous deals for liquid cooling solutions to keep up with the chip market arms-race. The chips market is growing 2-4x than the rest of the industry and with the Boyd acquisition, ETN finds itself as an end-to-end supplier with an addressable market range much greater than previously possible. The Boyd acquisition is expected to add $1.7B to Eaton's revenue in 2026.

Industry Overview

Zeroing in further on the Electrical and A&D markets, both have seen enormous investment and growth in recent months. Defense remains at the forefront of many countries focus, with Canada pledging 2% of GDP going towards defense spend and the US aiming to increase their defense budget to $1.5T – moving their budget to ~5% of GDP from 3-4% in 2023 and 2024. Electrical remains a key focus of the hyperscalers as the AI arms race continues to see more and more investment. We believe ETN's core industries will remain very active and poised for growth in F2026 and F2027, with ETN acquiring names to capture more market share.

Valuation

ETN trades at a slight premium to its industry comps Schneider Electric, Siemens AG, ABB LTB and Hubbell, with a 4.9x EV/Rev (Industry average of 3.9x) and a 19.9x EV/EBITDA (Industry average of 17.7x). Our view is that this premium is justified given ETN's superior growth, well-targeted acquisitions, and overall position in the competitive end-markets, with ETN holding the most share in the US markets.

Catalysts

- Continued data center investment from hyperscalers which can see ETN win large and lengthy contracts
- Increased cost for chips and need for liquid cooling and thermal products which ETN is now positioned to deliver following the Boyd Acquisition
- Growing conflicts which will see heightened demand for ETNs defense engineering solutions
    - Large deal for aerial refuelling probes for the US air forces new MV-75
- Reshoring of manufacturing facilities into the US which will allow ETN to avoid potential tariffs or supply chain disruptions in the near-term

Risks

Risks to our long-term hold window include:

1. Uncertainty from investors surrounding names included in the AI trade
2. Contracts being less bulky than expected as rates begin stabilizing
3. European competitors taking deals from Eaton in the EU as data center spend continues to accelerate in an effort to keep up with then US
4. Acquisitions being improperly integrated into ETN following the divestments of the vehicle and e-mobility segments
5. USD continuing to weaken and ETN losing money on FX in deals outside of the US