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Siemens Energy AG | Europe

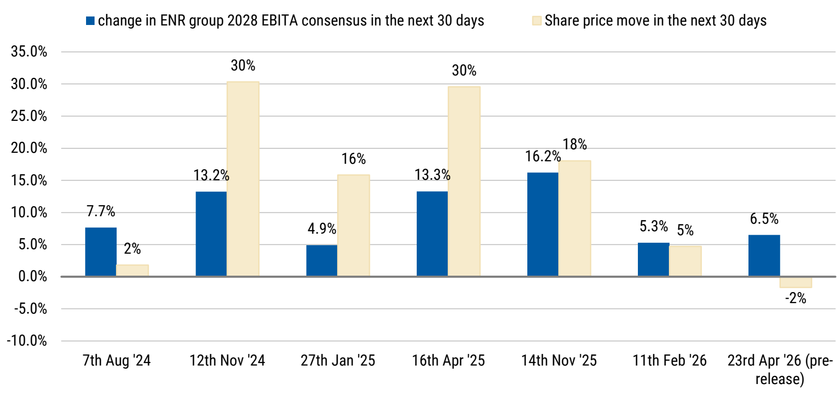
Investor feedback from our Gas turbine supply / demand report

After a busy week of discussions on our supply / demand report, we aim to summarize investor feedback below. It is clear that the stock is still very well owned, and mostly we received fairly wide-ranging push back to our supply demand view in 2030.

Key Takeaways

- Despite recent underperformance, we think ENR is still a consensus long. Some had used the May / June pull back to €150 to re-enter the stock.
- Investors reasons for owning here. (1) Consensus still too low in 2030, (2) Grid underappreciated, (3) Gas turbine order can grow into 2027, (4) Valuation.
- On Supply demand. We were surprised that the supply side Gas turbine capacity was not better understood. Many disagree that 2026 is peak (GW) orders.
- Where we agree, is that the supply / demand thesis playing out is a slow-burn, and turbine pricing is still strong today. In part, why we keep ENR OW.
- Overall view: Stock still range-bound through fiscal 3Q26 results, with potential for new 2030 targets (11th Nov) to act as the final clear positive catalyst.

Exhibit 1: Change to 2028 consensus EBITA following results and the 2025 CMD (14th Nov), and change in share price in the next 30 days. More recently, as consensus has moved higher, the rate of consensus upgrades has been decreasing. This has resulted in less share price follow through, which is a natural reaction as the 'rate of change' diminishes. We expect mid-single digit upgrades to 2030 consensus EBITA to be triggered by new 2030 targets (11th November)



Source: Visible alpha consensus. Refinitiv

***We published an update of our Gas turbine supply model last week (Exhibit 2) in a report:* Siemens Energy. Caught in multiple crosswinds. Supply demand dynamics are a valid concern for 2030**

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Siemens Energy AG (ENR1n.DE, ENR GY)

Capital Goods | Germany

Stock Rating	**Overweight**
Industry View	**In-Line**
Price target	**€200.00**
Shr price, close (Jun 12, 2026)	€153.58
52-Week Range	€191.66-82.72
Mkt cap, curr (mn)	€111,598
Net debt (09/26e) (mn)*	€(8,010)
EV, curr (mn)*	€107,182

* = GAAP or approximated based on GAAP

Fiscal Year Ending	09/25	09/26e	09/27e	09/28e
Sales / Revenue (€mn)**	39,077	44,002	49,407	54,637
EBITDA (€mn)**	3,350	6,604	8,608	10,909
EBIT (€mn)**	2,355	5,059	7,061	9,333
EPS (€)**	1.78	4.32	6.28	8.52
Prior EPS (€)**	-	-	-	-
ModelWare EPS (€)	1.78	4.32	6.28	8.52
EPS (€)§	1.58	4.38	6.01	7.68
P/E**	55.7	35.6	24.5	18.0
EV/revenue*	2.1	2.4	2.0	1.7
EV/EBITDA**	24.9	15.8	11.5	8.6
EV/EBIT**	35.4	20.6	14.1	10.1
DPS (€)	0.70	2.07	3.04	4.16
Div yld (%)	0.7	1.3	2.0	2.7
FCF yld ratio (%)**	4.4	5.8	5.3	6.2
Net debt (€mn)*	(5,196)	(8,010)	(10,789)	(13,838)
Net debt/EBITDA**	NM	NM	NM	NM
RNOA (%)**	18.2	90.4	(7,749.7)	(420.2)
ROE (%)**	17.3	35.9	54.7	62.4

Unless otherwise noted, all metrics are based on Morgan Stanley ModelWare framework
** = Based on consensus methodology
§ = Consensus data is provided by Refinitiv Estimates
* = GAAP or approximated based on GAAP
e = Morgan Stanley Research estimates

For other recent Siemens Energy reports**, see* ***(1) *1Q26 Gas turbine orders. A step-change in DC bookings (May-26)* ***(2)*** *Siemens Energy. Getting into thin air. Stay OW (April-26),* ***(3)*** *Siemens Energy: Remove as a top-pick, but stay OW (March-26).*

Backdrop. Since we removed Siemens Energy as a top-pick (March-26) our message on Siemens Energy has become more nuanced, despite keeping the overweight. As a recap of our view today, our thoughts on the stock are as follows. In our view, Siemens Energy is an earnings momentum story in end markets have historically been highly cyclical (see Exhibit 4) from a demand and profitability stand-point. For Siemens Energy, we think we are in the latter part of the earnings upgrades story, as we are now only 5% ahead of consensus for 2030 EBITA (for much of 2024-25 we were 20% ahead of consensus 2028 EBITA). **In addition, the rate of change in the equity story across a number of areas is slowing down**. We think the size of consensus upgrades is becoming smaller (see Exhibit 1), and the quarterly rate of increases in customer commitments (slot reservations and backlog) has also peaked (Exhibit 3). We also think Gas turbine (new unit GW orders) in FY27 will be flat YOY at best, but more likely lower YOY for Siemens Energy than in FY26. Finally, we disagree with the idea that Gas turbine aftermarket alone can carry the equity story into next decade as we expect this to only account for 20-25% of group EBITA in 2030.

The risk that longer-term investors need to grapple with is whether EBITA margin normalization in Gas services new equipment and Grid tech will offset the further EBIT growth in the services business into the 2030s. Ultimately, the key debate on the stock in our mind is on whether Siemens Energy can continue to generate mid-to-high single digit earnings growth in 2030-35, or earnings growth flattens out beyond 2030, and what the appropriate multiple for the stock on 2030 is in both those scenarios.

Our logic for keeping the Overweight in last week's report was largely for three reasons. The first was that when we wrote the report, we felt the risk reward overall was still skewed positively into year end. We argued in that report for a floor in the stock at €138, and we felt that the shares could have a run-up towards our €200 target price into year end around the new targets issued on 11th November. Second, we noted there was another catalyst for the stock into year end - the new targets which would trigger further consensus upgrade, albeit lower upgrades than what was seen with the last 2025 CMD. Equally, we did not think that we would immediately see signs of Gas turbine pricing plateauing, or even moderating for some of the engine companies this fiscal year. Higher slot reservation pricing alone should underpin better pricing on new orders for the next twelve months. Finally, we wrote that one of the reasons Siemens Energy had lagged GEV, and the valuation gap had widened, was concerns around Siemens Energy's Middle East exposure. If we were to see a US deal signed around the Iran conflict we felt this would help the relative valuation of Siemens Energy versus GE Vernova in the near-term, given Siemens Energy has relatively higher middle east exposure.

Shifting to investor feedback, from our conversations, we found that ownership of Siemens Energy across all types of investors is still relatively high. We have previously discussed (Exhibit6) that European long-only positioning in Siemens Energy now reflects other large-cap Electrical stocks in our coverage. We also found that a few investors we spoke with had used the May/ June pull-back in the stock (before last week) to turn more positive. It remains clear that the region with the highest investor optimism on the broader gas turbine cycle, and scope for orders to continue to move higher, was across US investors. A couple of points that surprised us from our discussions were as follows. We were surprised that we received so many requests for our gas turbine supply model (>50 requests) which suggests that supply dynamics have received less focus compared to demand until now. We also were surprised that the discussions with investors were very 'bottom up focused' and were surprised that we were not having more discussions linking the bigger picture risk of data center build out delays to the gas turbine stocks and specifically phasing of order intake.

The five main discussion / push back points we had with investors last week on our report.

(1) A debate on how much of our 135GW Gas turbine / power supply solutions would materialize. We spent a lot of last week discussion how much of our 135GW of tracked power solutions would materialize. In our chart in Exhibit 2 , there was agreement that the 97GW of Gas turbine capacity was largely underpinned. However, some investors argued that the newer solutions may not actually materialize, and therefore the eventual capacity could be lower than our calculation. We would argue that the 'non-Gas turbine' solutions are seeing success given recent primary power order wins across CAT, Wartsila and Hyundai in primary power, as well as recent Bloom Energy successes. Similarly, as Stephen Byrd observes in his recent report, Bitcoin miners also continue to play an active role in solving the time to power equation in the US (Link to report). In our view, this highlights that 'lead times' and 'time to power' remain the primary driver of decision making when it comes to behind the meter power solutions for data centers. Ultimately, there is a sharp increase in small gas turbine capacity and engine capacity that is all competing for the same behind the meter opportunity, and this will in our view have implications for pricing and profitability down the line.

(2) The consensus view is that the demand from data centers will eventually accrue to the Gas turbine manufacturers, as gas turbines replaced some of the 'bridging solutions' and more data centers receive grid connections in the medium term. We frequently encountered the view that the data center demand would eventually accrue to the gas turbine manufacturers in the form of larger turbines. The consensus view is that gas turbines will either eventually be connected to the grid (and served by large utility gas turbines), or that some of the bridging power solutions would be replaced by more permanent turbines. We agree that this is directionally correct, though speed and timing of this trend is difficult to know. Equally, in the meantime, we can also find that alternative behind the meter solutions initially continue to take share, and then in the medium term potentially drive some over-supply. We think behind the meter smaller gas turbine orders has been a very profitable market for the gas turbine manufacturers, and this is not immune from pressure. However, we also think in this scenario Wartsila would start to look quite vulnerable from a pricing perspective, hence our underweight rating on the stock. Ultimately, we think it is the capacity additions from the non-turbine makers which are arguably causing the bigger risks , as opposed to the capacity additions made by the large gas turbine makers.

(3) Some investors argue for stronger for longer demand and gas turbine orders, which would more than offset supply side capacity additions. We found it interesting from our conversations that there was quite often a fairly simplistic link that was made from a high level of demand for compute and tokens, to Gas turbines orders continuing to grow out to the end of the decade. Our observation would be that the data center build out can only occur was fast as the weakest part of the supply chain will allow (ie permitting and labour). We would simply argue that a lot of data center behind the meter solutions have been ordered, relative to what can actually be built in the US by the end of the decade. In the end, we think there will not be unlimited gas turbine orders added to backlogs if the rate of actual data center build cannot keep up. Ultimately, we think the constraint for data center build is shifting from being power solutions (ie Gas turbines), and is increasingly areas like Engineering and construction, labour and permitting.

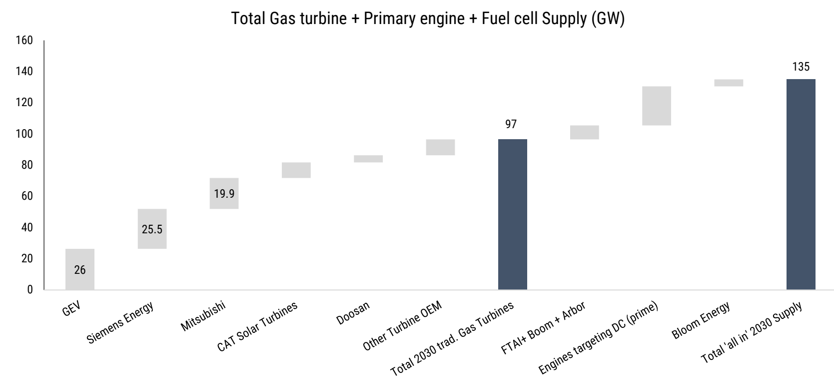
(4) Investors view was that the company commentary / industry channel checks on leading edge gas turbine pricing remained positive. We found investors still felt that industry commentary on gas turbine pricing remained positive. This is fair as our own discussions with industry analysts of US customers still point to resilient pricing. Equally, we also expect the companies to point to resilient pricing on slot reservations in the next 1-2 quarter. What we would expect is that the first cracks start to appear in behind the meter solutions pricing, particularly as companies like Wartsila (and others expanding capacity) start to open up bookings for 2030 with enlarged capacity. We would argue that price points across the likes of Wartsila and other engine makers like Hyundai (as we have flagged in previous reports) remain comparatively underwhelming to what we hear from Gas turbine manufacturers.

(5) We are finding that a large part of the narrative for the Gas turbines OEMs has become about shifting the debate more towards the upside of the Grid division (as opposed to the debate previously focusing on 'just' gas turbines). As a starting point for grid, we would start by saying that numbers have moved up a long way already. For context, consensus EBITA for Grid tech in 2029 is €5bn, and this is up ~100% from where 2029 consensus expectations were at the start of 2025. Consensus margins are expected to be 23.5% in 2030 (vs MSe at 25%) and versus a previous cyclical peak of 15%. Finally, order intake will land at around €25bn in 2026, compared to €7.3bn in 2021, and consensus assumes this continues to grow mid-single digit percentage for 2027-28. We agree the US is earlier on in its Grid investment cycle, but in contrast, we think a lot of the order intake for the European grid build out is already in the order-book. We see European order intake for Siemens Grid tech as more a case of stabilizing at a high level. Simply put, we also think the positive surprises in Grid are also diminishing, just by a function of expectations also having moved up significantly for this division. In addition, we also argue there is a limit to where revenues in this division can get to as a result of capacity constraints. We expect a 2029-30 deceleration in Grid technology revenue growth, after ~20% growth per year in 2026-28. Finally, as a result of lower barriers to entry, more volatile margins across the cycle, and limited aftermarket, we are cautious about making arguments about placing similar multiples on the grid tech business as either the Gas services multiple, or other Electrification companies like

Schneider and Eaton.

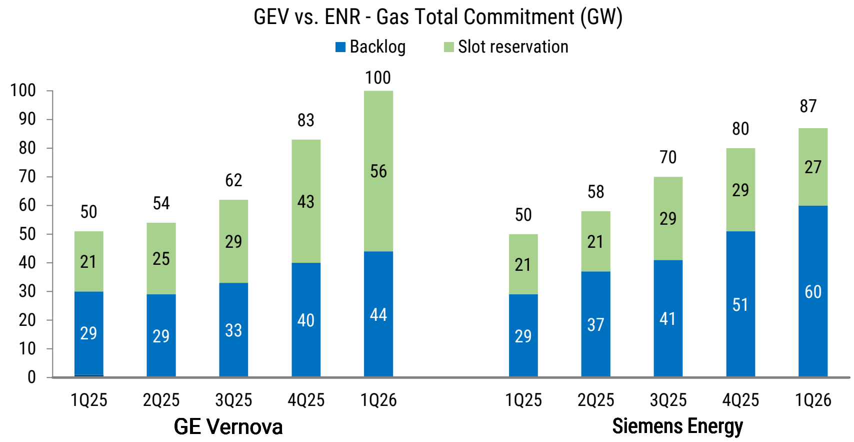
Valuation. After a volatile week in the share price, Siemens Energy is left trading on 12.3x 2028 EV/EBITA, which is a small discount to the broader Cap Goods sector on 13x 2028 EV/EBITA. In absolute, Siemens Energy is trading on a 6.2% FCF yield. Siemens Energy is also trading at a 42% discount to GE Vernova (21.2x), and this compares to a recent discount of 25-50%. Finally, it also compares to Wartsila trading on 14.6x 2028 EV/EBITA, and we think Wartsila remains comparatively expensive and we retain an Underweight here. We found from our conversations there was sympathy towards our more cautious view on Wartsila, but equally a hesitancy to be outright negative ahead of what we know will be a very good quarter for Energy orders given already announced data center contracts.

Exhibit 2: Morgan Stanley Gas turbine / power solutions supply model. We have updated our supply model for recent announcements, and the potential 2030 supply rises to 135GW by 2030 (we forecast 116GW supply in our Jan 2026 report: The capacity conundrum). The traditional gas turbine capacity in 2030 (97GW) looks broadly consistent with where orders should stabilize in 2027-30, but increasingly there are alternative solutions (engines and fuel-cells) that are competing in the 'behind the meter' data center primary power market.



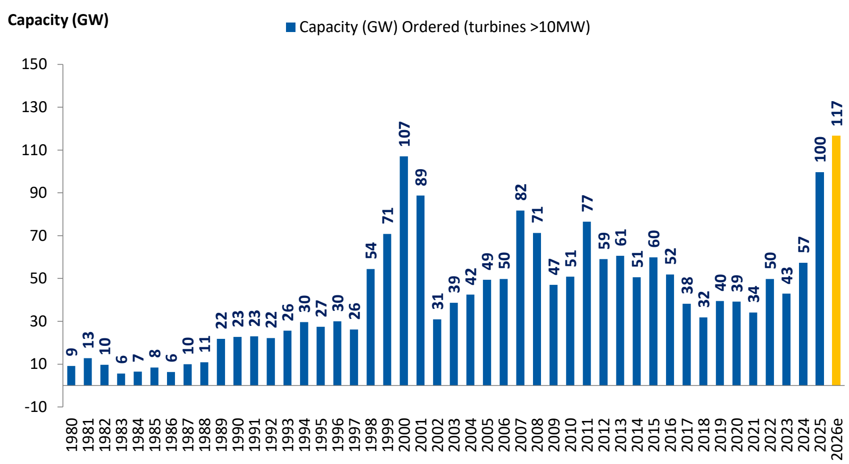
Source: Company data. MS Gas turbine supply model estimates.

Exhibit 3: GE Vernova (single cycle) and Siemens Energy (combined cycle) customer commitments (based on calendar dates). Siemens Energy have guided to 'customer commitments' ending fiscal 2026 at 100GW. This would mean that the 'rate of change' in the customer commitments is also continuing to moderate. Based off calendar dates, Siemens Energy saw a 12GW increase in customer commitments in 3Q25, 10GW in 4Q25 and 7GW in 1Q26.



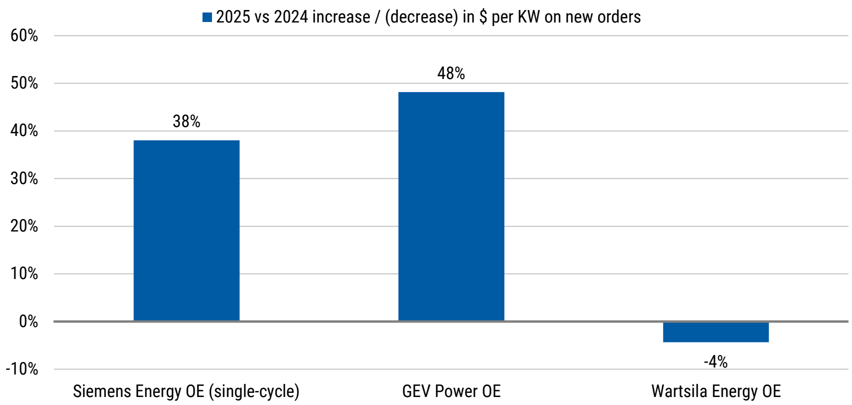
Source: Company data

Exhibit 4: Gas turbine order – 2025 full year order intake landed at 100GW (single cycle). Second-highest order level in history (since 2000). We expect a record year in order intake in 2026, and 1Q26 is annualizing at 117 GW.



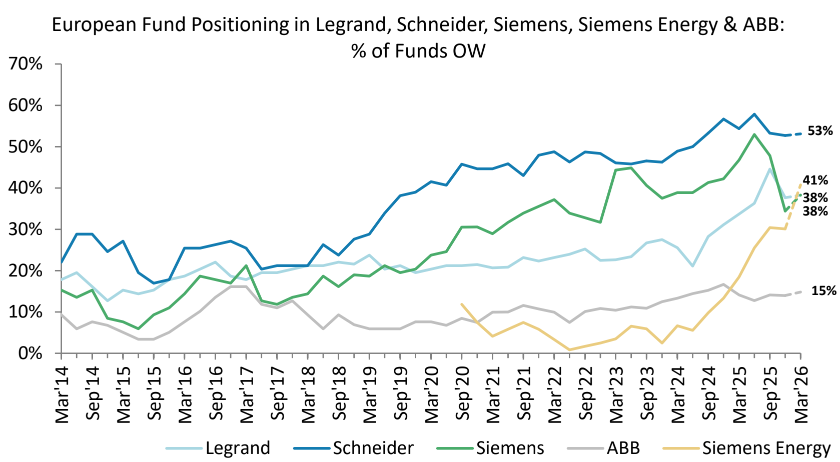
Source: McCoy data, Morgan Stanley Research estimates (e)

Exhibit 5: Price increase YOY on 2025 order intake. We have seen much sharper step-ups in pricing on new Power plant equipment orders at GEV and ENR, compared to Wartsila.



Source: Company data

Exhibit6: Cap Goods positioning data as of 31st Mar 2026. % of EU Funds overweight Schneider is relatively unchanged at 53% vs 18mths ago (but Global LOs have increased Schneider positions). Siemens Energy's EU LO ownership has closed the gap with other Electricals. ABB fund OW positioning is still low (15%), but will have risen in April - May (after the data is collected) given share price performance. However, as we saw with ENR, it takes more than a year (even with strong share price performance) for Long-only ownership to fully close the gap with other Electrical names (eg Schneider and Legrand).



Source: FactSet, Morgan Stanley Research. Note: Our sample group of funds varies month to month, so is not directly comparable, though there is a c. 90% overlap in funds; March data for European funds are preliminary.

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(as of May 31, 2026)

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	Coverage Universe		Investment Banking Clients (IBC)			Other Material Investment Services Clients (MISC)	
Stock Rating Category	Count	% of Total	Count	% of Total IBC	% of Rating Category	Count	% of Total Other MISC
Overweight/Buy	1542	42%	465	51%	30%	707	43%
Equal-weight/Hold	1571	43%	369	40%	23%	723	44%
Not-Rated/Hold	3	0%	0	0%	0%	1	0%
Underweight/Sell	551	15%	86	9%	16%	201	12%
Total	3,667		920			1632	

Data include common stock and ADRs currently assigned ratings. Investment Banking Clients are companies from whom Morgan Stanley received investment banking compensation in the last 12 months. Due to rounding off of decimals, the percentages provided in the "% of total" column may not add up to exactly 100 percent.

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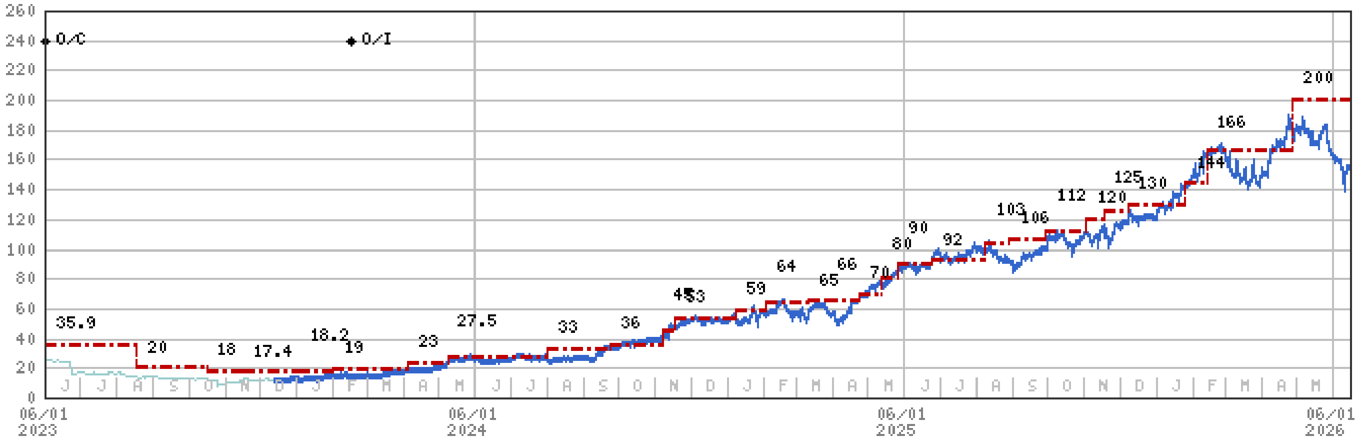
Stock Price, Price Target and Rating History (See Rating Definitions)

Siemens Energy AG (ENR1n.DE) - As of 06/15/26 GMT in EUR
Industry : Capital Goods



Stock Rating History: 6/1/21 : O/C; 2/4/22 : E/C; 5/30/22 : NA/C; 4/3/23 : O/C; 2/16/24 : O/I

Price Target History: 3/3/21 : 40; 7/1/21 : 42; 8/4/21 : 38.9; 11/10/21 : 35.1; 1/13/22 : 32; 2/4/22 : 22.6; 4/5/22 : 22; 5/30/22 : NA; 4/3/23 : 33.2; 5/15/23 : 35.9; 8/18/23 : 20; 10/16/23 : 18; 11/16/23 : 17.4; 1/2/24 : 18.2; 2/1/24 : 19; 4/4/24 : 23; 5/8/24 : 27.5; 8/1/24 : 33; 9/24/24 : 36; 11/7/24 : 45; 11/18/24 : 53; 1/8/25 : 59; 2/3/25 : 64; 3/12/25 : 65; 3/27/25 : 66; 4/23/25 : 70; 5/13/25 : 80; 5/27/25 : 90; 6/25/25 : 92; 8/8/25 : 103; 8/29/25 : 106; 9/29/25 : 112; 11/3/25 : 120; 11/17/25 : 125; 12/8/25 : 130; 1/26/26 : 144; 2/13/26 : 166; 4/27/26 : 200

Source: Morgan Stanley Research Date Format : MM/DD/YY Price Target No Price Target Assigned (NA)
Stock Price (Not Covered by Current Analyst) Stock Price (Covered by Current Analyst)
Stock and Industry Ratings (abbreviations below) appear as ◆ Stock Rating/Industry View
Stock Ratings: Overweight (O) Equal-weight (E) Underweight (U) Not-Rated (NR) No Rating Available (NA)
Industry View: Attractive (A) In-line (I) Cautious (C) No Rating (NR)

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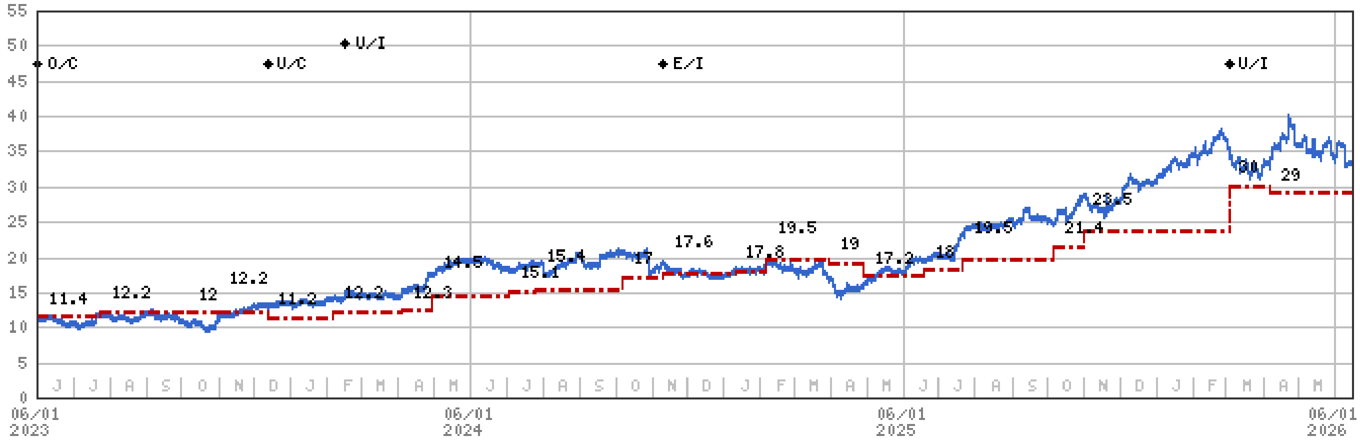
Effective January 13, 2014, the industry view benchmarks for Morgan Stanley Asia Pacific are as follows: relevant MSCI country index or MSCI sub-regional index or MSCI AC Asia Pacific ex Japan Index.

Wartsila Oyj Abp (WRT1V.HE) - As of 06/15/26 GMT in EUR
Industry : Capital Goods



Stock Rating History: 6/1/21 : E/C; 4/5/23 : O/C; 12/12/23 : U/C; 2/16/24 : U/I; 11/11/24 : E/I; 3/3/26 : U/I

Price Target History: 4/26/21 : 9; 6/25/21 : 9.8; 7/20/21 : 10.2; 9/27/21 : 10.6; 10/27/21 : 11; 1/12/22 : 12; 4/5/22 : 10.9; 4/28/22 : 10.1; 6/30/22 : 9.3; 10/3/22 : 8; 10/26/22 : 7.8; 1/11/23 : 8.3; 2/10/23 : 9.8; 4/5/23 : 10.2; 4/26/23 : 11.4; 7/24/23 : 12.2; 10/6/23 : 12; 11/1/23 : 12.2; 12/12/23 : 11.2; 2/5/24 : 12.2; 4/4/24 : 12.3; 4/30/24 : 14.5; 7/3/24 : 15.1; 7/26/24 : 15.4; 10/7/24 : 17; 11/11/24 : 17.6; 1/10/25 : 17.8; 2/5/25 : 19.5; 3/31/25 : 19; 4/28/25 : 17.2; 6/19/25 : 18; 7/21/25 : 19.5; 10/6/25 : 21.4; 10/31/25 : 23.5; 3/3/26 : 30; 4/7/26 : 29

Source: Morgan Stanley Research Date Format : MM/DD/YY Price Target -- No Price Target Assigned (NA)
Stock Price (Not Covered by Current Analyst) Stock Price (Covered by Current Analyst)
Stock and Industry Ratings (abbreviations below) appear as ◆ Stock Rating/Industry View
Stock Ratings: Overweight (O) Equal-weight (E) Underweight (U) Not-Rated (NR) No Rating Available (NA)
Industry View: Attractive (A) In-line (I) Cautious (C) No Rating (NR)

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INDUSTRY COVERAGE: Capital Goods

COMPANY (TICKER)	RATING (AS OF)	PRICE* (06/12/2026)
Arthur Sitbon, CFA		
ITM Power (ITM.L)	O (04/29/2026)	129p
Luke Holbrook		
AutoStore Holdings Ltd-W/I (AUTO.OL)	E (08/15/2025)	NKr 11.36
Max R Yates		
ABB (ABBN.S)	E (12/09/2024)	SFr 81.62
Alfa Laval AB (ALFA.ST)	E (03/05/2026)	SKr 530.80
Alstom (ALSO.PA)	E (12/07/2022)	€16.19
Assa Abloy AB (ASSAb.ST)	E (03/16/2020)	SKr 332.40
Atlas Copco (ATCOa.ST)	O (12/08/2025)	SKr 185.95
Epiroc AB (EPIRa.ST)	O (03/12/2026)	SKr 266.50
GEA Group AG (G1AG.DE)	U (12/08/2025)	€55.90
Halma PLC (HLMA.L)	E (11/22/2018)	3,898p
KION Group AG (KGX.DE)	E (03/10/2023)	€37.28
Knorr Bremse AG (KBX.DE)	O (12/08/2025)	€101.80
Kone Oyj (KNEBV.HE)	U (12/09/2024)	€48.72
Legrand (LEGD.PA)	O (03/28/2024)	€133.55
Metso Corporation (METSO.HE)	E (12/07/2022)	€14.80
Prysmian SpA (PRY.MI)	E (11/05/2024)	€143.90
Rexel S.A. (RXL.PA)	O (12/09/2024)	€36.42
Rotork PLC (ROR.L)	E (12/08/2025)	306p
Sandvik (SAND.ST)	E (03/12/2026)	SKr 378.60
Schindler Holding AG (SCHP.S)	E (12/08/2025)	SFr 262.60
Schneider Electric (SCHN.PA)	O (10/27/2025)	€265.30
Siemens (SIEGn.DE)	E (10/14/2025)	€264.50
Siemens Energy AG (ENR1n.DE)	O (04/03/2023)	€153.58
Signify NV (LIGHT.AS)	U (12/08/2025)	€20.42
SKF (SKFb.ST)	++	SKr 237.90
Spirax Group PLC (SPX.L)	O (12/09/2024)	6,810p
Vestas Wind Systems A/S (VWS.CO)	E (05/05/2020)	DKr 166.10

Wartsila Oyj Abp (WRT1V.HE)	U (03/03/2026)	€33.06
Weir Group PLC (WEIR.L)	E (05/12/2025)	2,324p

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* Historical prices are not split adjusted.