

Vestas

Group 15
Vestas

Business Report



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References:	

- **Vestas Financial report**
- **GlobalData**
- **Wood Mackenzie**
- **Vestas - Vestas Annual Report 2023**
- **Vestas - Interim Financial Report 2023**
- **Vestas - Financial outlook for 2024**

About the Company

Vestas started out in 1898 as a local blacksmith workshop in Lem, Denmark, created by the Hansen family, who were known for their nobility and trustworthiness. Later, in 1945, the name Vestas was established, and, in the following decades, the company adapted to the markets, the current trends and expanded to new products and ventures, such as hydraulic cranes for light trucks, coolers for turbo chargers, and more. Finally, after hiring engineers and focusing on research, the company sells and installs its first wind turbine in 1979. Wind energy then becomes the primary focus of Vestas, and they develop further into this niche. Their successful venture led to worldwide expansion and an IPO in 1998, making the company publicly listed on the Copenhagen Stock Exchange. Vestas continuously grows, having a large share of the sustainable energy market and is still one of the key players in the world of wind turbines.

“Vestas’ purpose is shaped by a passion to make the world a better place and to contribute to a sustainable future. The company’s more than 29,000 passionate employees are its most important asset and the foundation upon which its achievements are built. It is therefore essential to constantly develop and sustain a culture that allows everyone to thrive and reach their full potential. The four values are Simplicity, Collaboration, Accountability, and Passion, and they are embedded in all People & Culture (HR) processes.”
(Vestas)

The company heavily relies on its core values and principles, deeming them as crucial for the proper execution of tasks and customer satisfaction. They believe in transparency, teamwork, they encourage their employees to speak up and have created a safe and understanding workspace. Last, but not least, Vestas’ main goal is its dedication to the planet, sustainability, and providing aid for mankind and Earth.

Vestas Wind Systems A/S's Board of Directors is in charge of the overall and strategic administration of the company's activities. The Board also has to make sure that the business is properly organised in compliance with the company's articles of association and any relevant laws.



Executive Management



HENRIK ANDERSEN
GROUP PRESIDENT & CEO



HANS MARTIN SMITH
EVP & CFO

Management Team



CHRISTIAN VENDERBY
EVP & CSO (SERVICE)



TOMMY RAHBEK NIELSEN
EVP & COO



JAVIER RODRIGUEZ DIEZ
EVP & CSO (SALES)



ANDERS NIELSEN
EVP & CTO



THOMAS ALSBJERG
EVP DIGITAL SOLUTIONS
& DEVELOPMENT



ANNE PEARCE
EVP PEOPLE & CULTURE

Key Governance Elements

The board of Vestas currently consists of 11 members, 7 of which are elected at the Annual General Meeting by shareholders, while the other 4 are elected by the Danish-based employees. The former ones serve a year long term, while the latter are elected every four years. Both external and internal board members can be re-elected once their term is over.

As per the equal gender distribution norm defined by the Danish Business Authorities, Vestas' shareholders have elected 4 female and 3 male Board Members. In addition to that, all three board committees have equal distribution of male and female members, complying with the DBA's requirements.

The Board's responsibilities include appointing the Executive Management team, establishing policies and exercising control over the team's work, ensuring responsible business organisation, defining the company's business concept and strategy, guaranteeing satisfactory financial organisation and reporting, facilitating the necessary procedures for risk management and internal controls, and maintaining the continuous existence of an adequate capital contingency programme.

In partnership with the Executive Management team, the Board develops and implements broad policies, processes, and controls in critical areas, including financial reporting. Clear reporting lines, permission and certification processes, a well-defined organizational structure, and adequate job separation are all required for this.

Organizational Structure

Vestas' operational style is designed for a regional focus for implementing and embodying the company's goals.

Furthermore, it ensures global alignment and best practices are communicated and applied with the goal of achieving aligned goals across all global operations.

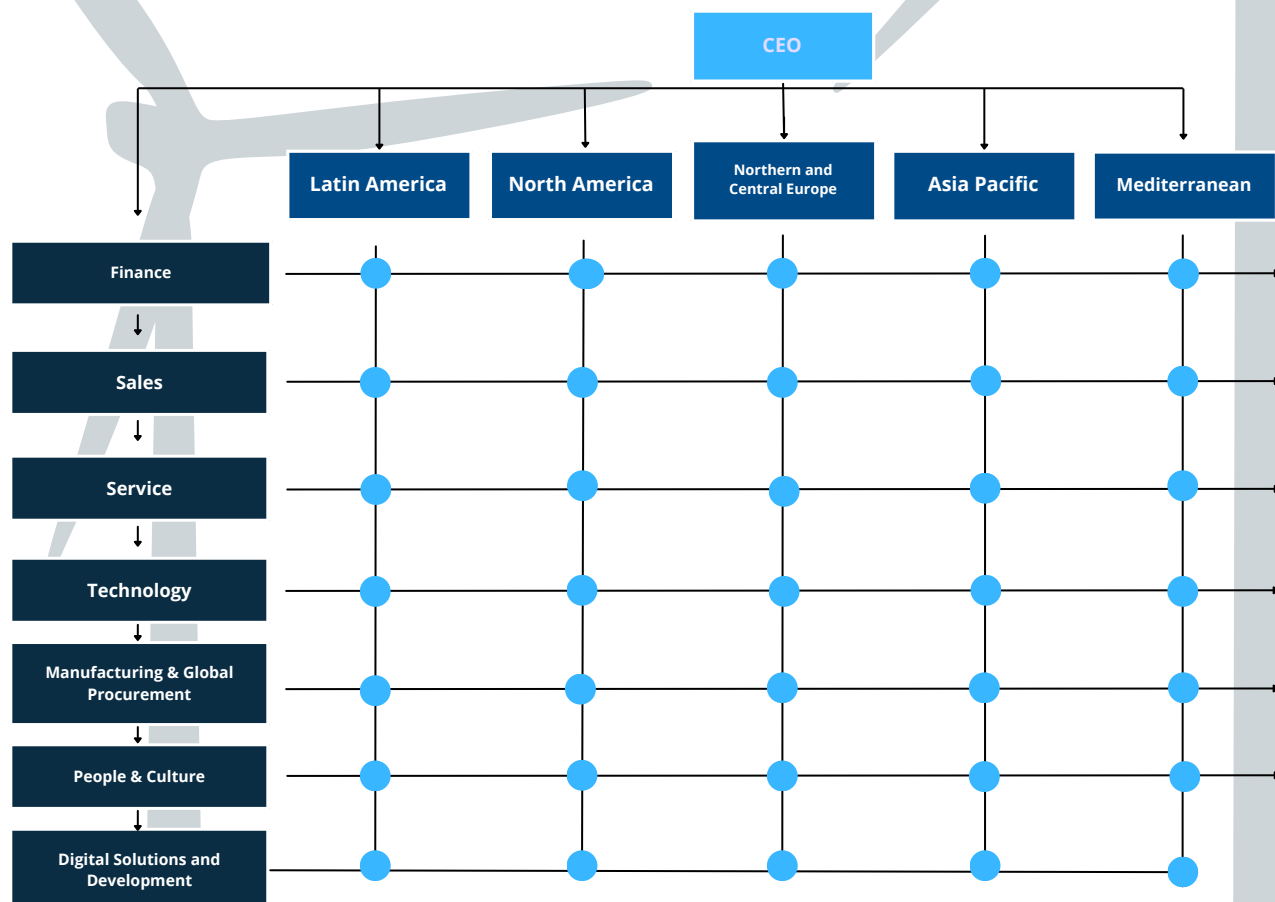
Vestas' organization is structured as a **two-dimensional matrix**.

The seven key departments of the company, namely Finance, Sales, Service, Technology, Manufacturing & Global Procurement, People & Culture, Digital Solutions and Development, **are the one dimension of the matrix structure**.

Each of the seven areas of specialization in the company is headed by the executive management team, who directly monitor all activity and strive for optimal operational and organizational performance.

The other dimension of the matrix structure is **the five regions Vestas operates in**, the Mediterranean, Latin America, Northern America, Northern and Central Europe, and Asia Pacific.

Vestas' operational style aims to implement and embody the company's objectives with a regional focus. To accomplish unified goals throughout all global operations, it ensures that best practices are disseminated and executed internationally.



Stakeholder's analysis

Market stakeholders

Shareholders

The major shareholder of Vestas Wind Systems A/S is Blackrock Inc., that detains 5.03% of shares via multiple subsidiaries. Other relevant shareholders are The Vanguard Group Inc. (3.79%), Baillie Gifford and Co. (3.56%), Schroder Investment Management Limited (1.68%) and Norges Bank Investment Management (1.59%).

Shareholders in Vestas nowadays are more interested in an increase of the share price and profitability of the company, as the company at first drastically reduced the dividends per share from 1.14 to 0.05 EUR in 2021, then stated that would no longer pay dividends in 2022 and 2023.

Management (see Corporate Governance)

Employees

Data about employees in Vestas show an increasing trend in number of workers since 2013.

By the end of 2023, approximately 29000 people worked in the company, compared to the 15000 of 10 years before.

Customers

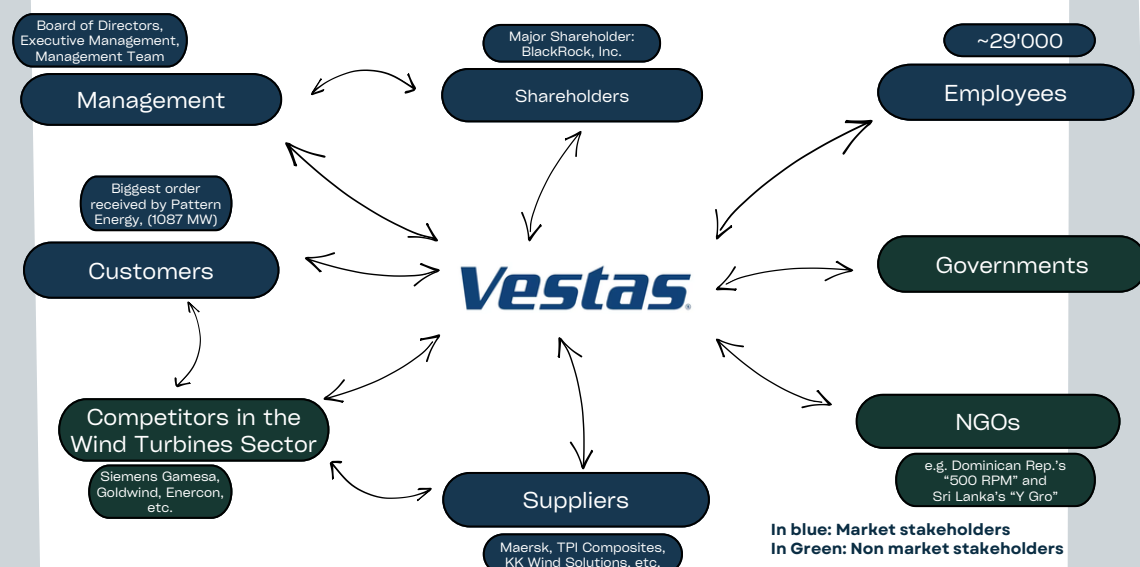
Customers are mostly major utility companies and energy providers, like the Italian company

Edison Rinnovabili, that in March 2024 ordered 18 V136-4.5 MW wind turbines destined to parks in Abruzzo, the Norwegian joint venture Fosen Vind DA, that ordered six power plants totaling 1GW in Norway, and the American company Pattern Energy LP, that secured an agreement to make Vestas power a major portion of its SunZia Wind project in New Mexico, USA. It is Vestas' largest order to date in the U.S. market and the largest single onshore project globally (1089 MV).

Suppliers/Partners

Vestas has agreed crucial deals throughout the last years, including the ones with the second biggest port operation and marine transport company in the world Maersk A/S, that acts as logistic partner, while TPI Composites Inc. is the main supplier of turbine blades and KK Wind Solutions, world leader in Converters and Controls, is responsible of this part of Business for Vestas since 2023.

Another fundamental partner for Vestas is its IT supplier Apple: thanks to the usage of their products, it is estimated that the company saves 400.000 hours of work every year.



Stakeholder's analysis

Non-Market stakeholders

Competitors

The main competitors of Vestas include the Spanish-German company Siemens Gamesa, that currently produces over 130 GW of wind power, the Chinese multinational Goldwind and the German manufacturer Enercon.

Especially with the first, the top spot in the sector is highly contested due to the similarity in the areas in which they operate.

Governments

One of the main issues in investing in wind – like all kinds of renewable – energy is the high costs. Furthermore, wind speeds are variable and inconsistent, so wind energy production can be intermittent and can so necessitate backup power sources.

Governments play a key role in the transition to renewable energy, but insofar Vestas denounced the impossibility to realize one of the aims that the countries in the UN want to reach by 2030 – that is, produce renewable energy for 10'000 GW in 2030 – , because of the “complex and lengthy permitting procedures” that massively slow down the process.

NGOs

NGOs have always been an important ally for Vestas in the development of their projects: for example, in 2019 Vestas partnered with the NGO 500 RPM and the National Institute of Professional Technical Training (INFOTEP) to build a simple 350W DIY turbine in Dominican Republic, and with Y Gro (an NGO in Sri Lanka) to organize a CSR program called "Organic Farming and Household Gardening".

NGOs can also play a key role in helping Vestas make pressure on governments to solve the bureaucracy problems and focus on the energetic transition.

	NATURE OF INTEREST	NATURE OF POWER
SHAREHOLDERS	<ul style="list-style-type: none">• Dividends (until 2021, as Vestas is no longer distributing dividends)• Increase in share price	<ul style="list-style-type: none">• Voting Rights (One share = 20 votes)
EMPLOYEES	<ul style="list-style-type: none">• Low injury rates (currently 1 in a million working hours and zero fatalities in 3 years)• Higher wages	<ul style="list-style-type: none">• Leaving for potentially better opportunities, strikes (in 2023, employees at Vestas Deutschland striked for 123 days for wage increases and partial retirement options)
SUPPLIERS	<ul style="list-style-type: none">• Shared interest in development of renewable energy (e.g. Apple, that aims to bring net emissions to zero by 2030, is Vestas' IT supplier)• Sell at higher prices	<ul style="list-style-type: none">• Supply to competitors• Switching to other suppliers is costly and time-consuming
CUSTOMERS	<ul style="list-style-type: none">• Reliability on top-quality products (Vestas partners with German software company SAP to minimize quality issues and defects)	<ul style="list-style-type: none">• Possible switch to other competitors (Enercon, Siemens Gamesa, Goldwind)
COMPETITORS	<ul style="list-style-type: none">• Erode Vestas' marketshare (currently Vestas detains the global leading role as wind turbine manufacturer holding over 16% of the entire market.	<ul style="list-style-type: none">• Make strategies, plans, actions to make Vestas' suppliers and customers switch to them
GOVERNMENTS	<ul style="list-style-type: none">• Transition to renewable energy: Global investments in wind energy reached 175 billion US dollars in 2022	<ul style="list-style-type: none">• Influence in bureaucracy processes that currently slow down the process: 80% of projects in the EU are currently caught in permitting processes, blocking an estimated amount of 88GW of energy
NGOs	<ul style="list-style-type: none">• Focus on environmental sustainability and social development (e.g. Y Gro in Sri Lanka, INFOTEP in Dominican Republic)	<ul style="list-style-type: none">• Collaboration with governments to speed up the process of energetic transition (organizations like Power For All and SNV have a crucial role in the projects made in India, Nigeria, Zimbabwe and many more countries)

PESTEL Analysis

Offshore Wind Turbine business

Offshore wind energy is a rapidly growing sector. Vestas is one of the most important company in the offshore wind energy sector especially through turbines and partnerships, such as MHI Vestas Offshore Wind.

POLITICAL

The offshore wind sector's growth is linked and influenced by the actions of governments like policies, subsidies, and incentives. However, Vestas has to cope with tariffs and trade barriers that can affect the cost and supply chains of the components used.

ECONOMICAL

As a big company, Vestas is exposed to currency risks that can affect profitability. The financial stakes are high, with forecasts suggesting the sector could expand. Moreover, recent data from the US Department of Energy's website indicates that the cost of energy from offshore wind is on the decline, signaling better prospects for profitability.

SOCIAL

The growth of offshore wind is a step towards having a cleaner energy systems lessening air pollution as the society calls for more sustainable energy sources. Moreover, Vestas provides jobs in manufacturing and maintenance sectors, contributing to employment opportunities.

TECHNOLOGICAL

The offshore wind sector's growth is linked and influenced by the actions of governments like policies, subsidies, and incentives. However, Vestas has to cope with tariffs and trade barriers that can affect the cost and supply chains of the components used.

ENVIRONMENTAL

Offshore wind is a optimal source of clean energy, with the capacity to produce far more electricity than the world currently consumes. According to the IEA, it could theoretically generate over 420,000 TWh annually. Its expansion can reduce greenhouse gas emissions.

LEGAL

Protection of innovations and technologies is vital for maintaining Vestas' market position. The industry must also adhere to international maritime laws and various national regulations, which can significantly influence the development and operational phases of projects.

In 2023, Vestas evidenced by an increase in revenue to EUR 15.382 billion. The company's EBIT margin before special items also improved, reaching 1.5. This performance was driven by a record order intake. Regarding market share, Vestas has been one of the leading players globally, although specific market share figures for 2023 are not detailed.

In, 2024, Vestas is expected to have projected revenue ranging from €16 billion to €18 billion, and an anticipated EBIT margin before special items of 4-6%. These figures reflect an improvement driven by higher installations and increased pricing.

Five Forces Analysis

Threat of New Entrants

Offshore wind turbines are a profitable market for Vestas, supported by government subsidies and incentives. These projects usually secure long-term contracts thus stable revenues. However, companies face high initial costs including manufacturing and installation. Moreover, complying with strict environmental regulations requires impact assessments, which prolongs times. The industry's complex supply chain poses challenges for new entrants, but Vestas benefits from economies of scale, offering competitive prices. The sector is dominated by a few large players like Vestas, whose extensive technical expertise sets a high barrier for new competitors.

Bargaining Power of Suppliers

As the business requires rare raw material and components, those few suppliers can easily increase their bargaining power; it can be also increased by the fluctuation of prices of those materials. However, Vestas copes by setting in place a strong strategy including the development of long-term relationships with its suppliers, this strategy helps the reduction of the bargaining power of suppliers.

Bargaining Power of Buyers

Considering the nature of the products and the industry, buyers can easily rise their power. They can try to get lower prices for a better quality or get big quantities at a discounted price. In fact, as buyers are often governments or very large companies, they purchase in bulk for large projects. Nowadays they are price-sensitive. On the other hand, buyers are likely to face high switching costs because of the complexity of the business and of the integration of wind turbines into the energy grid; this helps the reduction of buyers' power.

Threat of Substitute Products or Services

Nowadays, new threats are presented by: Solar photovoltaic (PV) & onshore wind farms for its low cost of production, nuclear energy, and hydroelectric power. Summarising, there are many new emerging renewables that can replace offshore wind turbines, thus Vestas needs to keep up with the latest innovations. The development of advanced energy storage technologies improves the use of intermittent renewable sources like solar and onshore wind. It can be considered as a threat as it makes alternatives more reliable. Grid flexibility technologies solutions also improve the incorporation other renewables.

Rivalry Among Existing Competitors

The market features few large players, leading to intense competition where each company significantly impacts the market. Vestas focuses on innovation and invests heavily in R&D to lead in technology, aiming to maintain its share by improve supply chain efficiency and reducing costs. This strategy helps Vestas offer cost-effective solutions. However, competition is high, as reflected in Vestas' fluctuating market share: it led with 18.97% share of global installations in 2021, but there was a decrease from 17.7% in 2019 to 14.4% in 2020,.



Business strategy

Vestas has established itself in the renewable energy market through a multifaceted approach, emphasizing innovation, global expansion, integrated value chain management, and collaborative partnerships.

Innovation has been central to Vestas' strategy from the start, with significant investment in research and development to enhance turbine performance, efficiency, and reliability. This focus on lightweight materials and advanced aerodynamics has set new industry standards.

Global expansion, initiated in the late 1990s, has seen Vestas establish manufacturing facilities and service centers worldwide. This geographic diversification mitigates risks associated with market fluctuations and regulatory changes while tapping into emerging opportunities.

Vestas operates an integrated value chain covering design, manufacturing, installation, and maintenance services. This vertical integration ensures seamless coordination, quality control, and effective cost management.

Collaborative partnerships with governments, utilities, research institutions, and local communities drive innovation, market growth, and sustainability efforts. These alliances leverage complementary expertise and resources, delivering tailored solutions to diverse markets.

Competitive advantage

Technological Leadership

Vestas has established itself as a frontrunner in wind turbine innovation through its continuous pursuit of technological progress.

By introducing the world's first serial-produced wind turbine in the 1980s and developing cutting-edge smart grid solutions in the 21st century, Vestas remains at the head of wind power technology.

Global Presence

Operating in more than 80 countries with a diverse project portfolio that includes both onshore and offshore wind farms, Vestas benefits from a worldwide presence that shields it from regional market fluctuations and grants access to a wide customer base.

Brand Reputation

Vestas is renowned for its commitment to reliability, sustainability, and environmental stewardship. The company's emphasis on quality, safety, and customer satisfaction has established it as a trusted partner in the renewable energy sector, fostering customer loyalty and setting it apart in the market.

Critical Resources

Technology and Intellectual Property

Vestas' extensive collection of patents, trademarks, and proprietary technologies serves as the cornerstone of its competitive edge, enabling product differentiation and upholding its leadership in wind energy innovation.

Global Manufacturing Network

With manufacturing facilities strategically positioned across Europe, the Americas, and Asia-Pacific, Vestas leverages advanced manufacturing processes and supply chain management techniques to ensure the efficient production and delivery of high-quality wind turbines worldwide.

Talent and Expertise

Vestas' workforce is composed of skilled professionals from diverse fields such as engineering, project management, sales, and service. The company invests in employee training and development initiatives to nurture talent, encourage innovation, and promote growth.

SWOT Analysis

***S*trength:**

Technological Leadership and Innovation, Global Presence and Market Diversification, Strong Brand Reputation and Customer Loyalty, Integrated Value Chain Management

***W*eaknesses**

Dependency on Government Incentives and Policies, Vulnerability to Fluctuations in Renewable Energy Market, Intense Competition from Rivals

***O*pportunities**

Growing Demand for Renewable Energy Solutions, Expansion into Emerging Markets and Offshore Wind, Technological Advancements in Wind Power and Energy Storage

***T*hreats**

Regulatory and Policy Uncertainty, Price Competition and Margin Pressure, Supply Chain Disruptions and Resource Constraints

Growth Strategy



Vestas' remarkable journey from a local Danish blacksmith to a global leader in the wind power industry underscores its strategic growth strategy, which is firmly anchored on two pillars: Product Differentiation & Innovation and International Expansion.

Product Differentiation & Innovation:

Vestas' history is marked by a continuous drive for product diversification and innovation, tracing back to its inception in 1898 as a local Danish blacksmith. Over the years, Vestas diversified its offerings from steel window frames to household appliances, agricultural equipment, and hydraulic cranes for light trucks, always adapting to changing market demands.

In 1950, Vestas entered the wind turbine business, assuming roles from manufacturing to installation. A pivotal moment came in 1981 when a flaw in blade construction prompted Vestas to vertically integrate further by producing its own fiberglass components, ensuring high turbine quality.

Vestas' expertise in robust agricultural machinery also contributed to turbine production, catching the attention of American wind energy company Zond. However, in 1987, Vestas strategically refocused solely on wind turbines, innovating to make wind power more affordable and efficient.

This innovation led to further diversification with the production of offshore wind turbines and services that encompass everything from territory analysis to fleet installation, monitoring, and maintenance.

Additionally, Vestas has formed partnerships with other brands in the industry. Multibrand service, for instance, enables one service provider to maintain and repair wind turbines manufactured by different OEMs (Original Equipment Manufacturer), serving as a single point of contact for a diverse fleet.

Looking ahead, the future of Vestas' diversification is likely to focus on Hybrid Horizons. In 2017, Vestas received an order for the world's first utility-scale, on-grid hybrid power plant, The Kennedy Project in Australia. This project features wind turbines, solar panels, and battery storage, signaling a shift towards hybrid energy solutions.

Vestas' growth strategy, anchored on product differentiation, innovation, and international expansion, has propelled it to become a dominant force in the wind power industry. By leveraging its strong market position, global presence, and commitment to sustainability, Vestas continues to drive the global transition towards renewable energy, positioning itself as a Star in the BCG matrix with high market share and increasing demand for renewable energy solutions.

Growth Strategy

International Expansion:

In parallel with product differentiation and innovation, Vestas pursued international expansion to tap into growing global markets. From its origins as a local Danish blacksmith, Vestas grew into a wind energy leader, operating in 88 countries.

Vestas' international diversification focuses on high-growth markets with ambitious renewable energy goals, driven by factors like economic growth and environmental concerns. Localization is key, with manufacturing and service centers established in key regions to tailor solutions to local needs.

By localizing production and services, while expanding globally, Vestas enjoys all benefits of applying economy of scale: improved efficiency, reduced costs and higher bargain power. Strategic partnerships aid market entry and regulatory navigation in new markets. Vestas develops wind turbine models suited to emerging market conditions, boosting market penetration.

The company's revenue is influenced by the geographical distribution of its projects, with established markets like Europe and North America contributing significantly to revenue generation. However, Vestas' strategic focus on emerging markets is aimed at diversifying revenue streams and reducing dependence on mature markets experiencing slower growth.

Asia, Vestas targets emerging markets for diversification. Asia, including China and India, and Latin America, especially Brazil, Mexico, and Chile, are key revenue drivers. Africa and the Middle East offer untapped potential for wind energy development, further diversifying Vestas' revenue sources.

Vestas' global growth is supported by strategic acquisitions and partnerships, such as UpWind Solutions and Availon in 2015, along with partnerships with Mitsubishi Heavy Industries (MHI) in 2021 and the merger with NEG Micon in 2004, propelled Vestas to the forefront of the industry. These strategic moves not only expanded Vestas' market presence but also enhanced its capabilities in servicing and maintaining wind turbines, contributing to its market leadership and expansion.

2023 Revenues	Product/Service	EMEA (mEUR)	Americas (mEUR)	Asia Pacific (mEUR)	Total (mEUR)
Product	Power Solutions	5,711	4,356	1,747	11,814
Service	Service	1,906	1,372	290	3,568
Total	Combined	7,617	5,728	2,037	15,382

