



Vertiv Holdings, Co. (VRT)

Holding on for VRTical Growth!

- Shares of VRT sold off in CY'25 following disappointing 4Q'24 guidance. The Company faced headwinds from DeepSeek AI's claim to use less chips and power, lower street estimates, macroeconomic pressures, and ongoing trade tensions. However, our team sees that the Company's fears over reduced data center demand and increased costs from economic tensions remain overemphasized. Investors are overlooking the expansion of edge computing sites, which offsets demand concerns.
- Through VRT's large portfolio spanning power management, cooling, monitoring, and modular solutions, the Company is positioned to meet the rapid expansion of edge computing. Through the VRT's Libert brand, the Company's coolant distribution units save up to 70.0% space savings and achieve efficiency up to 97.5%. VRT's NetSure brand offers DC systems for telecommunications and 5G. The NetSure 7000 offers energy efficiency up to 97.0%, over the 90.0%-96.0% industry average. The Environet brand offers the Environet connect, reducing costs ~30%.
- In VRT's 4Q'24, it acquired BiXin Energy (BSE) to expand its cooling technologies up to 5.5 MW to manufacture CDUs, vital for AI infrastructure. This in turn has secured a foundation for distributing its 360AI portfolio in the Asia Pacific segment regardless of trade tensions.
- We view VRT's current valuation as an attractive entry point, given its edge computing involvement, pipelines in its Asia Pacific segment, as well as its Dynaflex battery enhancing power reliability and operational resilience. The Company remains well-positioned for growth within our horizon. VRT trades at a 40.4% discount to its one-year NTM EV/EBITDA median. Using a DCF model as well as historical multiples analyses, our team forecasts shares reaching \$80.16, an 15.1% upside.

COMPANY OVERVIEW

Vertiv Holdings (VRT) designs, manufactures, and services technology for data centers, communication networks, and industrial facilities. Founded in 1946 in Columbus, OH, VRT provides technologies such as power management, thermal management, and integrated rack systems. Through the Europe, Middle East & Africa, and Asia Pacific segments, VRT provides products and services for application in data centers. VRT offers products under the Liebert, NetSure, Geist, Energy Labs, ERS, Albér, and Avocent brands. The Company prioritizes AI integration into these products and services to sustain operational demand. VRT is expected to report 1Q'25 earnings on April 23, 2025.

Downside Scenario	Current Price	Price Target	Upside Scenario
\$52.18	\$69.61	\$80.16	\$101.49
(25.0%)		15.1%	45.8%

Symbol	NYSE: VRT
52-Week Range	\$53.60 – \$155.84
YTD Performance	(41.16%)
Market Cap (B)	\$26.5
Gross Leverage	5.5x
Net Debt (B)	\$1.9
Dividend Yield	0.2%
NTM EV/EBITDA	13.3x
ROA	5.9%
ROIC	14.0%

FY (Dec)	2023A	2024A	2025E
EPS (Adj.)			
Q1	0.24	0.43	0.61
<i>YoY Change</i>		79.2%	41.9%
Q2	0.46	0.67	0.89
<i>YoY Change</i>		45.7%	32.8%
Q3	0.52	0.76	0.95
<i>YoY Change</i>		46.2%	25.0%
Q4	0.56	0.99	1.10
<i>YoY Change</i>		76.8%	11.1%
Year	1.78	2.85	3.55

Nathaniel Howard

nathanielhoward@temple.edu

Max Schmieder

max.schmieder@temple.edu

Ishika Thareja

ishika.thareja@temple.edu

Eitan Volodarski

eitan.volodarski@temple.edu

Source: Bloomberg, Capital IQ, FactSet. The Temple University Fox Fund does and seeks to do business with companies covered in its research reports. Thus, investors should be aware that the Fund may have a conflict of interest that could affect the objectivity of this report. All prices are current as of the end of previous trading session from date on which report was issued.

TABLE OF CONTENTS

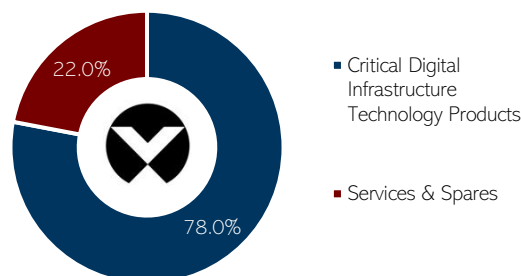
BUSINESS OVERVIEW.....	3
Critical Digital Infrastructure Technology Products	3
Services & Spares	3
INDUSTRY OVERVIEW	4
Servers Don't Sleep	4
Competitive Landscape	4
Market Dynamics & Trends	4
Data Center Infrastructure is Heating Up!	5
Surfing on the Edge of a Wave?	5
UNDERVALUATION	6
Cool Down, It's a Bargain!	6
We're in DeepSe*k	6
Liberation Day	6
CATALYSTS & DRIVERS.....	8
Edge Computing on the Move!	8
Vertiv Streams in China!	9
Energy and Storage Solutions for Everyone!	9
RISKS TO INVESTMENT THESIS	10
Will We Be on the Edge?	10
The Bubble Could Explode!	10
Asia Pacific Expansion	10
PEER GROUP ANALYSIS	11
MODEL OUTPUT	13
DCF & Multiples Analyses (WIP)	13
APPENDIX	14
Exhibit I: VRT Worldwide Operations	14

BUSINESS OVERVIEW

VRT serves customers across three markets: data centers, communication networks, and commercial & industrial applications. Data centers are classified through cloud/hyperscale, colocation, and enterprise. VRT's highest source of revenue comes from serving data centers. Cloud/Hyperscale data centers are massive facilities built to store large amounts of data and computing needs. Colocations are facilities companies rent to house information technology equipment, storage devices, and servers. Examples of colocation companies VRT serves are Digital

Reality (DLR), Equinix (EQIX), Compass (COMP), and Quality Technology Services (QTS). VRT provides power and thermal management to its enterprise customers' data centers to ensure reliability and efficiency throughout its operations. VRT has delivered enterprise solutions to Goldman Sachs (GS), J.P. Morgan (JPM), Walmart (WMT), and Allianz (ALIZY). The Company's telecommunication networks deliver video, voice, and data through a network of wired and wireless mediums to companies and consumers. Commercial and industrial customers are in the transportation, manufacturing, and oil and gas fields. VRT's intelligent infrastructure services are in demand for these segments and ensure that companies served by VRT fulfill regulatory requirements. VRT's revenue is broken down into the Critical Digital Infrastructure Technology Products and Services & Spares segments. VRT focuses on customer focus, operational success, and high-performance innovation across its services and technology products.

VRT FY'24 Revenue Breakdown



Source: Company Filings

Critical Digital Infrastructure Technology Products (78.0% of FY'24 Revenue)

The products in this segment range from alternating current (AC) and direct current (DC) power systems, thermal management, low/medium voltage switchgear, busways, and modular solutions. AC and DC also known as alternating and direct current products are types of power supplies. VRT classifies these products as its NetSure™ DC Power Systems and NetSure™ Inverter Series to provide efficient and reliable DC power. The segment also reports thermal management products that control the temperature of data centers for optimal efficiency. VRT offers air conditioning and cooling systems like the Liebert PEX (Precision Environmental Control) and Liebert DSE (Dynamic Smart Efficiency). Switchgear is electrical equipment to control and protect power systems and VRT specializes in safely distributing electricity and protecting equipment from electrical malfunctions or issues. Its products are the Vertiv™ PowerBoard Medium Voltage Switchgear and Vertiv™ PowerBoard Low Voltage Switchgear. VRT's Busway Modular solutions are power distribution systems that deliver electricity to data centers and industrial plants. The Vertiv™ MB Modular Busway and Vertiv™ Powerbar iMPB service electrical solutions to commercial buildings and data centers. Additionally, VRT distributes products under Geist which designs and manufactures intelligent hardware as well as software. Geist provides Rack Power Distribution Units (rPDU) types such as switched, monitored, and basic rPDU. Energy labs create heating, ventilation, and air conditioning systems that include Custom Air Handler units and Chilled Water-Cooling products. Albér™ is a brand under VRT that specializes in battery monitoring technologies and backup power devices such as the BDS-256XL and Battery Xplorer Enterprise. Avocent is an IT operations brand that distributes KVM (Keyboard, Video, Mouse) Switches and Management Software. This segment has experienced a 5.7% YoY revenue growth in comparison to its FY'2023.

Services & Spares (22.0%)

Services are engineering, consulting, remote monitoring, training, acceptance testing, digital infrastructure software, and preventative maintenance. VRT provides services in more than 40 countries across the Americas, Asia Pacific, Europe, Middle East & Africa segments. VRT's services are mainly used in communication facilities, commercial facilities, government agencies, utilities, data centers, and industrial plants. The breakdown is 56.0% of sales came from the Americas. 22.0% of sales came from the Asia Pacific. 22.0% of sales came from Europe, Middle East & Africa combined. Globally VRT operates 300 service centers with ~4k service engineers. "Spares" are spare parts and spare part management. The segment experienced 11.0% YoY revenue growth from increasing global demand.

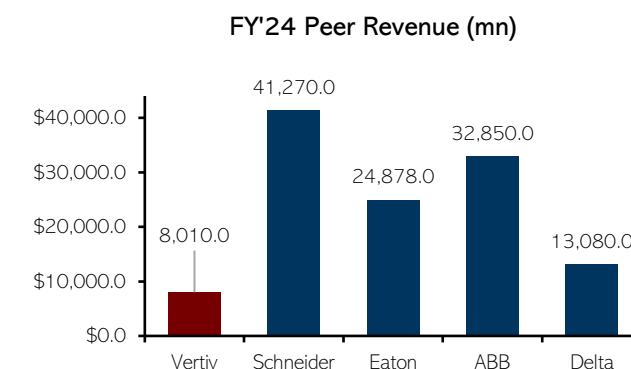
INDUSTRY OVERVIEW

Servers Don't Sleep

The demand for digital infrastructure has accelerated in recent years, driven by the global expansion of cloud computing, rising data generation, and the rapid growth of edge computing applications. Companies in the industry supply the backbone of this ecosystem by offering uninterruptible power supplies (UPS), thermal management systems, monitoring software, and server racks designed to support 24/7 systems. Demand showed no signs of slowing in FY'24, as the global digital infrastructure market generated \$410.0 bn in revenue. Despite ongoing challenges such as supply chain disruptions and rising energy costs, the industry remains well-positioned for long-term growth, enabled by AI adoption, demand expected to scale, and increasing digitization of the global economy.

Competitive Landscape

The digital infrastructure market is made up of a diverse mix of global industrial and technology companies, each taking unique approaches to integrated data center solutions. Players included in this specific market include Vertiv Holdings Co., Schneider Electric, Eaton Corporation, ABB, and Delta Electronics, selected for their size, broad product portfolios, and geographic reach. Most firms in the space utilize value-based pricing strategies, tying product costs to performance features such as energy efficiency, scalability, system integration, and long-term savings potential.



Source: FactSet

For example, ABB offers premium systems with advanced software capabilities, targeting enterprise clients, while Delta Electronics positions itself as a relatively lower-cost and price-sensitive provider for large-scale deployments.

As workloads shift towards AI, edge computing, and real-time data processing, smarter, software-enabled infrastructure is becoming critical for performance and scalability. Firms like VRT and SU are capitalizing on this growing trend, while even nontraditional players such as Google are developing AI-powered tools like DeepMind's energy optimization software which enhances data center efficiency. These intelligent systems help clients reduce downtime, improve sustainability, and help optimize energy usage with rising digital demand. As a result, software-driven infrastructure continues to differentiate market leaders and support long-term growth across the whole sector.

Market Dynamics & Trends

Cloud adoption continues to rise, pushing more workloads into remote and hybrid environments. Global data creation is projected to surpass 180.0 zettabytes by CY'25, accelerating the need for operators to deploy scalable infrastructure and distributed systems. This surge is driving significant investment in storage, compute capacity, and network resiliency to support data-heavy applications across industries. At the same time, sustainability has become a strategic priority. Roughly 90.0% of data center operators plan to enhance ESG efforts by CY'26, spurring demand for energy-efficient power and cooling systems, modular designs, and environmentally friendly hardware. Reducing emissions and optimizing Power Usage Effectiveness (PUE) are now essential for long-term competitiveness overall.

Meanwhile, edge computing is gaining traction as one of the fastest growing segments in the space, with the global market expected to surpass \$110.0 bn in revenue by CY'30, growing at a 17.0% CAGR. Latency-sensitive use cases such as autonomous vehicles, smart cities, and AR/VR require decentralized, high-performance systems that traditional data centers can't fully support. Rising energy costs, which increased by over 20.0% in some markets in CY'22, are also reshaping operator priorities. With efficiency now a critical lever for cost control, the industry is shifting away from one-time hardware purchases towards lifecycle-based service models. Long-term contracts focused on uptime, reliability, and predictive maintenance are projected to grow at a 9.0% CAGR through CY'30, helping infrastructure providers deliver consistent value throughout an increasingly complex operating environment.

Data Center Infrastructure is Heating Up!

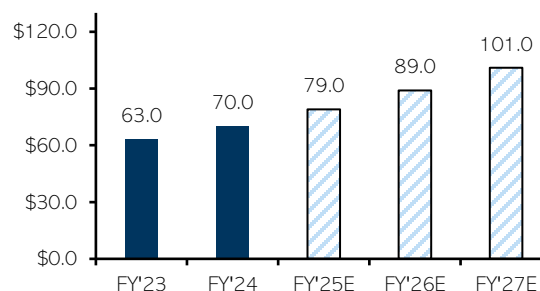
Demand for data center infrastructure is drastically increasing. As digital activity surges and cloud-based workloads scale across sectors like e-commerce, finance, AI, and streaming, demand from hyperscale and colocation providers is expected to grow 12.0–15.0% annually through CY'28. Operators are racing to expand infrastructure that is not only faster and more powerful, but also more energy efficient. However, simply building bigger facilities is no longer enough. Rising energy costs and stricter sustainability expectations are putting intensifying pressure on operators to rethink how they power and cool their systems.

In CY'24, the average monthly rate for a 250.0 to 500.0 kW deployment rose by 12.6% YOY, reaching \$184.1 per kW, according to analysts. Meanwhile, data centers are projected to consume up to 12.0% of U.S. electricity by CY'28, up from 4.4% in CY'23, making sustainable decarbonization an industry-wide strategic priority.

The industry is turning to smarter infrastructure. Companies are investing in advanced UPS systems, liquid cooling, and thermal management technologies that reduce heat which maximizes uptime. These innovations aim to improve Power Usage Effectiveness (PUE) by as much as 30.0%, helping operators' lower energy bills and cut emissions. As rack densities and computing loads increase, managing heat efficiently has become more important than before.

Thermal performance has become a growing concern, especially in high-density environments where space is tight and computing demands are high. To manage heat more effectively, operators are turning to solutions like rear-door heat exchangers, AI-powered airflow systems, and compact cooling units. These tools are now standard in next-gen facilities, helping improve uptime, extend equipment lifespan, and reduce energy waste at scale. The broader data center cooling market, valued at \$22.1 billion in CY'24, is expected to more than double by FY'30, growing at a 16.4% CAGR, a clear sign of how important efficiency has become in today's data and analytic world.

Data Center Infrastructure Revenue (bn)

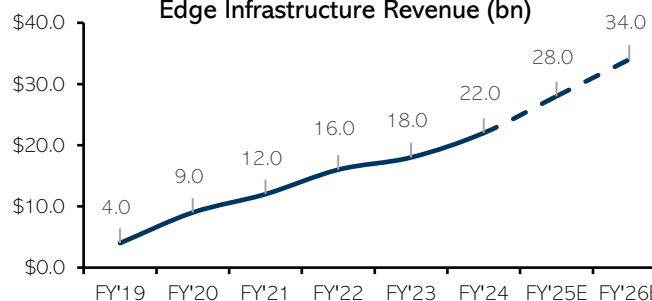


Source: Global Market Insights

Surfing on the Edge of a Wave?

While centralized data centers still dominate the landscape, the next wave of growth is happening at the edge. The global edge infrastructure market is expected to surpass \$30.0 bn by CY'27, growing at a 17.0% CAGR. The shift is being driven by latency-sensitive use cases such as autonomous vehicles, telemedicine, and smart manufacturing that cannot afford the delay of sending data back and forth to centralized cloud hubs, instead, they require localized computing that is closer to where the data is being created.

Edge Infrastructure Revenue (bn)



Source: Global Market Insights

By CY'25, over 75.0% of enterprise-generated data is expected to be created and processed using edge computing, up from just 10.0% in CY'18, according to analysts. That dramatic 65.0% rise is fueling investment in compact and decentralized infrastructure that offers a balanced mix of speed, flexibility, and cost-efficiency. To keep up with this dramatic change operators of edge computing are leaning towards plug-and-play systems that have faster deployment times and require minimal onsite maintenance. Whether it's powering a city, an AI-enabled assembly line, or extending 5G into rural areas, edge facilities need to scale fast, respond in real time, and stay online no matter what. As a result, the industry is moving away from one-time hardware sales and leaning into lifecycle service models, which offer predictable uptime, energy savings, and long-term support. This shift is not only operational but financial as edge computing ready providers are capturing recurring revenue and improving upon customer retention.

UNDERVALUATION

Cool Down, It's a Bargain!

VRT currently trades at a 40.4% discount to its one-year NTM EV/EBITDA median of 22.3x. The stock experienced a notable decline early in CY'25, following disappointing 4Q'24 guidance. Throughout the year, the sell-off persisted, largely due to investor concerns surrounding the emergence of the Chinese AI model DeepSeek. Fears have mounted that hyperscalers may delay data center equipment purchases to redesign for higher rack densities, potentially reducing near-term demand. Additionally, renewed uncertainty around tariffs and U.S. economic policy toward China has further weighed on sentiment. Despite these challenges, we believe the reaction has been disproportionate. Investors appear to be overlooking robust demand for VRT's edge data center solutions, its DynaFlex battery energy storage system (BESS), and Asia Pacific expansion, which continue to see strong traction and outlook. This disconnect presents an attractive opportunity for investors willing to look beyond near-term noise.

We're in DeepSe*k

The broader technology sector came under pressure in early CY'25, driven by concerns over DeepSeek AI, which reportedly requires ~10.0x to 40.0x less energy than rival models such as ChatGPT, Google Gemini, and Microsoft Copilot. DeepSeek also claimed its models utilize approximately 2k chips, far fewer than the 16k used to train ChatGPT-4. In late Jan'25, even as VRT reported EPS growth of 77.0% YoY, organic orders up ~30.0% YoY for 4Q'24, and raised full-year guidance, shares fell 29.9% following Deepseek's announcement. Investor reaction was driven by the assumption that more efficient AI models would reduce the need for chip-heavy infrastructure, ultimately dampening future data center demand and impacting VRT's contract pipeline and life-cycle services. While efficiency improvements in AI may reduce chip usage, we believe the market is overestimating the downside. VRT's Demand for AI infrastructure, edge computing, power systems, and associated services is still poised to rapidly expand. The Company's life-cycle management services on existing infrastructure creates a growing revenue stream, with management guiding for 11.0% service growth in FY'25. Despite concerns, VRT's fundamentals remain intact.

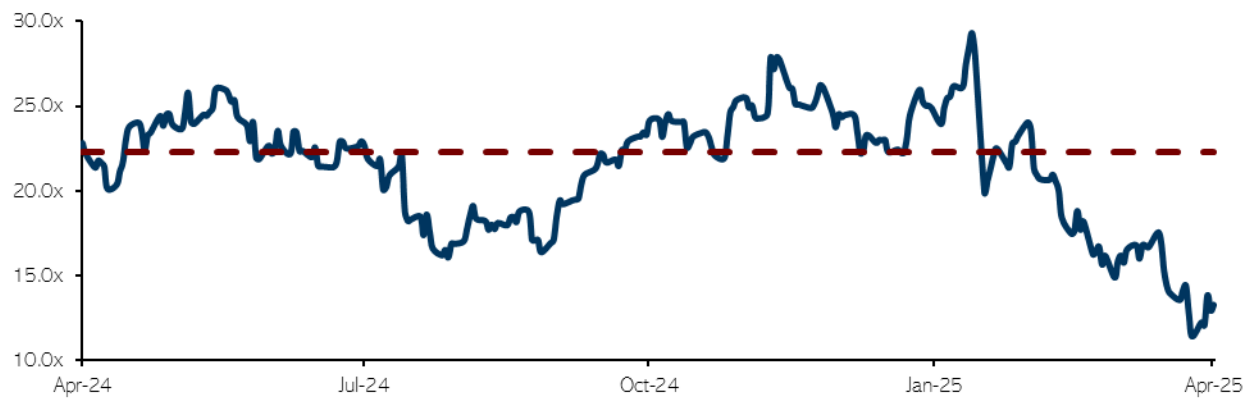
Since the Deepseek event, global trade policies have compounded pressure on VRT. In Feb'25, shares declined by 18.7%, reflecting broader market anxiety over new tariffs and slower projected growth in the AI and data center sectors. Tariffs targeting Canada, Mexico, and China are expected to negatively impact margins, given the Company's global manufacturing footprint. The stock fell an additional 11.0% in Mar'25, following U.S. plans to ban 80 companies, primarily based in China, from purchasing U.S. technology. Several of these companies are reportedly customers of VRT's largest partner, NVIDIA. Days later, Barclays revised its price target from \$111.0 to \$100.0, triggering a further 9.0% pullback. Despite the name's recent volatility, our team forecasts a price of \$80.16 for FY'29, underscoring a significant difference between market sentiment and the Company's fundamental outlooks.

Liberation Day

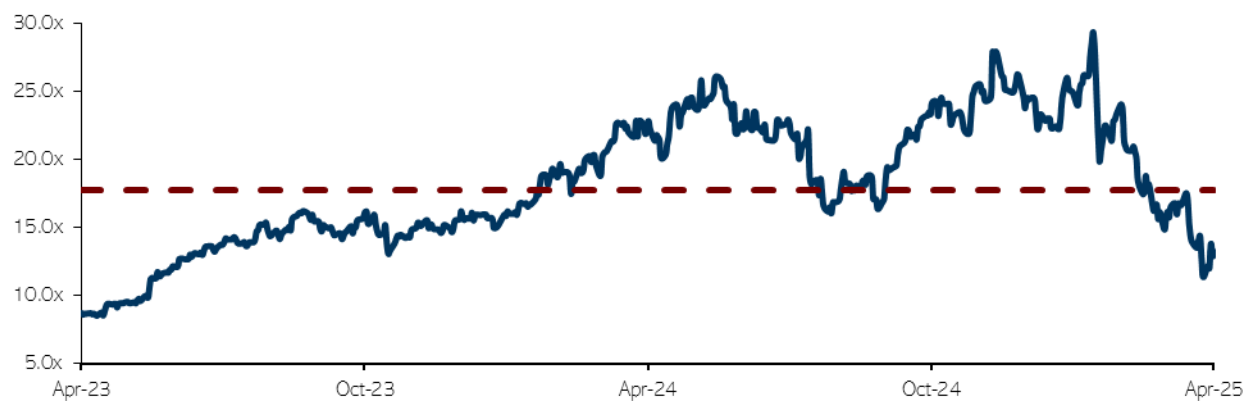
Another significant drop-off occurred after the Trump administration had officially imposed reciprocal tariffs on 31 countries spanning across VRT's global sectors (EMEA and Asia Pacific), on April 2, 2025. The result of "Liberation Day" wiped out ~\$3 tn in market value, leaving investors extremely cautious and hesitant across the entire market. In response to the U.S.'s tariffs, China imposed a 34.0% retaliatory tariff the following day, further escalating the ongoing trade dispute between the US and China. Asia Pacific accounts for 22.0% of VRT's overall revenue. With investors believing in the growing possibility of global supply chain concerns for its data center infrastructure products in its global sectors, the Company faced a 15.8% drop in stock price. VRT is well-positioned in its Asia Pacific sector due to its deep foundation in local production within China. The Company has established its own manufacturing and assembly facilities, avoiding potential margin pressures in its Asia Pacific segment in the future.

Investor concerns in VRT are due to its disappointing 4Q'24 guidance, Deepseek's supposed cost-efficient emerging AI technologies, and macroenvironmental pressures caused by the Trump Administration's tariffs. Regardless of these current factors hindering the Company, investors should focus on the Company's growth potential in the long term. Overall, VRT is well-positioned to support emerging Edge Computing markets, securing pipelines in its Asia Pacific segment, and pioneering its DynaFlex versatile battery technology cementing a foundation for future growth.

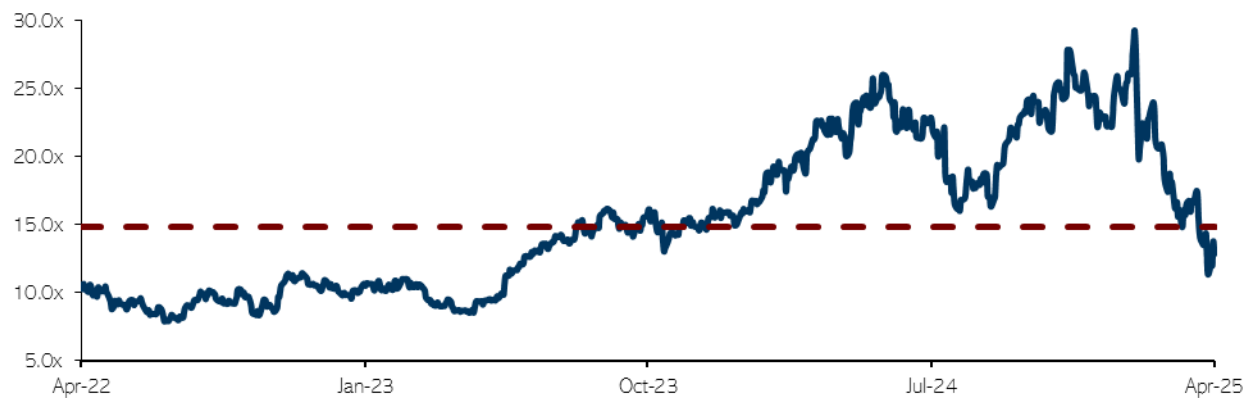
VRT One-Year NTM EV/EBITDA



VRT Two-Year NTM EV/EBITDA



VRT Three-Year NTM EV/EBITDA

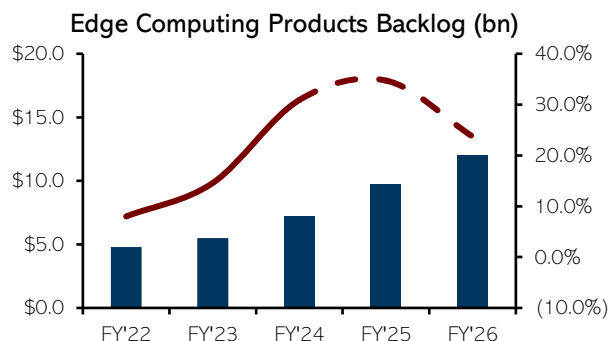


Source: FactSet

CATALYSTS & DRIVERS

Edge Computing on the Move!

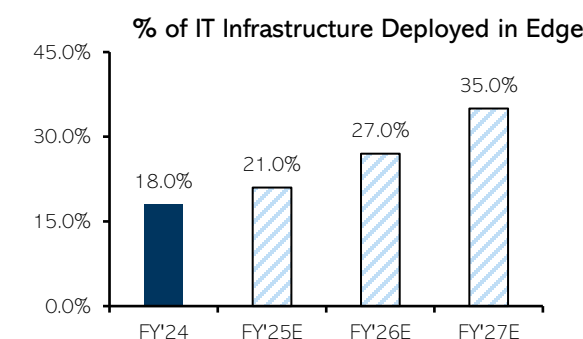
Edge computing is on the rise as technology such as autonomous vehicles, automation, 5G, and the IoT rely on quicker data processing and analysis. Much like traditional data centers, VRT provides a variety of products and services for specialized edge computing sites. Likewise, the Company contracts their services for solutions and frequent maintenance after installation. The cost of running an edge computing data center has risen ~9% compared to its average CY'23 cost. With increased demand attributed to higher processing workloads from advanced technologies, VRT's involvement in edge computing will drive revenue. By FY'26, VRT estimates that 50.0% of enterprise data will be generated outside of hyperscale data centers. VRT's management projects a 400.0% increase in company edge sites by FY'26, compared to FY'25. With edge project expansion, the Company's Liebert, NetSure, and Environet brands offer industry leading products to supply demand.



Source: Company Filings

- VRT's Liebert brand is strategically positioned to capitalize on edge demand. Liebert offers advanced power protection through UPS systems and precision cooling technologies. The Liebert APM2, for instance, is a scalable power platform supporting up to 2.4 MW of capacity for edge data centers. It features coolant distribution units, delivering up to 70.0% space savings, and achieves a leading conversion efficiency of up to 97.5%. Additionally, VRT's Liebert GXT5 Lithium-Ion UPS outperforms traditional VRLA battery systems with 2–3x longer life expectancy and approximately 50.0% lower total cost of ownership. As edge infrastructure expands, demand for Liebert solutions increased VRT's FY'24 backlog to \$7.2 billion, up roughly 30.0% YoY.
- VRT's NetSure brand complements this growth with a focus on DC power systems, which are essential for telecommunications and 5G deployments, and are increasingly moving to the edge. The telecom market is forecasted to grow at a CAGR of 5.4%–6.7% between CY'25 and CY'30, driven by 5G infrastructure investments. VRT's NetSure 7000 series provides high power density with energy efficiency reaching up to 97.0%, compared to the industry average of 90.0%–96.0%. The series is used in 5G base stations and remote edge sites. VRT's lines of DC power systems offer industry-leading efficiency ratings of -48 and +24 VDC. In 4Q'24, NetSure contributed to a ~50% increase in organic orders, reflecting growing infrastructure investment.
- VRT's Environet brand enhances physical infrastructure by delivering predictive analytics and real-time visibility for edge products. In Sep'24, the company launched Environet Connect, a cloud-based monitoring platform tailored for edge data centers. This solution enables users to remotely assess and conduct predictive analysis on their infrastructure. Although still in its early stages and without disclosed revenue figures, we anticipate Environet Connect will boost gross profit by approximately 5.0–10.0% through FY'27, due to its lower sales cost compared to physical infrastructure and broader edge data center demand. Currently, Environet Connect reduces facility costs by ~30% relative to the industry average making it an attractive option for manufacturers.

Given the accelerating demand for edge computing solutions, we forecast revenue and organic growth of 16.0%–11.0% from CY'24 to CY'29. VRT's lifecycle services model ensures recurring revenue from installed systems across edge deployments. Between FY'23 and FY'24, services revenue rose by 11.0%, while product sales increased by 17.0%. Thus, as VRT expands and installs more systems, the gap between revenue streams will begin to tighten. Our team expects that rapid infrastructure buildouts will not only boost future service revenue but reduce COGS as percent of revenue ~8% by FY'29, representing margin expansion.

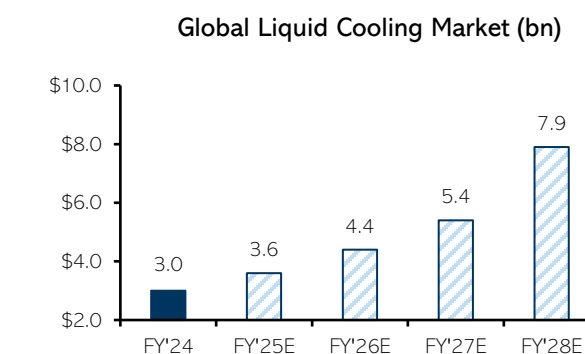


Source: Company Filings

Vertiv Streams in China!

VRT has established a solid foundation globally, specifically within its Asia Pacific geographical segment. The Company owns five manufacturing, and assembly locations, and 80+ service centers. The Company has been establishing solid pipelines in this segment, in its FY'24, VRT had a backlog of orders in its Asia Pacific segment of \$911.4 mn, (increasing 47.9% YoY) from \$616.4 mn in FY'23. VRT's major customers include Alibaba (BABA), Tencent (OCTM:TCEHY), and China Mobile (XHKG). In 1Q'25, both BABA and TCEHY have emphasized interest in boosting CapEx spending to focus on growing its AI and cloud infrastructure. VRT being a leading digital infrastructure provider, and having established connections with large-cap players in the Asia Pacific tech sector, it is well-positioned to support its clients with its 360AI solutions and cloud infrastructure solutions. In Feb'25, BABA announced its plans to invest \$52.0 bn over the next three years. As of Mar'25, TCEHY has followed suit, spending \$5.4 bn during 4Q'24 on AI initiatives to improve its computing, storage, and network solutions. VRT provides key products necessary for its Chinese partners to go through with its initiatives. VRT's 360AI Portfolio is a pre-engineered infrastructure that speeds AI deployment by ~50%, and assists in preserving chip performance and longevity. It supports a range of applications from Edge computing to full-scale AI data centers making it ideal for BABA, TCEHY, and other companies VRT serves in the Asia Pacific segment that are beginning to adopt AI initiatives.

In VRT's 4Q'24, it acquired BiXin Energy (BSE) to expand its cooling technologies up to 5.5 MW, vital for high-performance computing and AI infrastructure. This manufacturer is native to China, and produces chillers, heat pumps, heat-recovery solutions, and air-handling units. Through this acquisition, VRT now has an established manufacturing base in China, bypassing potential tariffs, and producing locally. BSE's core product vital for VRT's 360AI infrastructure is its oil-free, magnetic-suspension centrifugal water and air-cooled chillers. This is



Source: Market.us

used to manufacture the Company's CoolPhase Cooling Distribution Units (CDU). The global market for CDUs was valued at \$970.9 mn in FY'24 and will reach \$3.7 bn by CY'31 with a CAGR of 18.5%. VRT is the largest player in the CDU market, accounting for 22.4% of sales globally in FY'24. With BSE recently being acquired, VRT's global market share for its CDUs is positioned for sustained growth in the Asia Pacific sector. This strengthens VRT's ability to distribute its AI infrastructure products, even amid pressures from ongoing trade conflicts compared to its peers.

Energy and Storage Solutions for Everyone!

In CY'23, VRT introduced its Battery Energy Storage System (BESS), and since its launch, order backlogs have surged by over 60.0%. As companies shift manufacturing back to the U.S. amid global macroeconomic uncertainties, many require on-site BESS units for energy storage at production facilities and data centers. The BESS market is expected to grow at 29.0% annually throughout the remainder of the decade facilitating demand for VRT's systems.

The DynaFlex BESS is designed to enhance power reliability, sustainability, and operational resilience, with scalable utility support from 100.0 kW to 100.0 MW—surpassing competitors like Generac (500.0 kW to 1000.0 kW) and the utility-scale industry average (10.0 MW to 75.0 MW). It delivers a 2.0-millisecond power transition, beating the 2.2–2.5 millisecond industry standard by 10.0%. For renewable integration, DynaFlex enables energy conversion from solar, wind, hydrogen, and natural gas. Its hybrid fuel system reduces outage rates by 6.0% versus peers, with typical outages lasting about five minutes. As partners like NVIDIA aim for 100.0% renewable energy across offices and data centers by FY'25, the initiatives are expected to drive future demand for DynaFlex and eventually net sales.

VRT's DynaFlex system is designed to meet the rising need for fast, scalable energy storage. Not only does growth across all types of data centers drive sales, but the expanding adoption of clean energy and ongoing manufacturing buildouts will further boost demand for VRT's BESS. Installation timelines generally range from 6 to 8 weeks, depending on project scope. With a 25–30-year expected system life and long-term contracts in place, the offering ensures consistent revenue streams. We project demand for the BESS will support 15.5% revenue growth in FY'25.

RISKS TO INVESTMENT THESIS

Will We Be on the Edge?

Edge computing is a type of computing model that involves processing data locally and is done by VRT to optimize efficiency in their infrastructure, retail, and AI solutions. However, the rapid growth of edge computing poses regulatory risks. VRT is subject to strict data privacy regulations especially when utilizing sensitive local data. VRT's global edge computing involves VRT following sovereign laws of data privacy that may conflict with each other. With 19 global edge computing locations, VRT must restructure each edge computing location to comply with local jurisdiction. This increases the costs of global expansion and limits the scaling abilities of these data infrastructures.

- *Mitigant:* VRT currently collaborates with state and federal officials to ensure approval for edge computing locations. VRT's SmartMod (pre-built data center for edge computing) involves an examination and customization to ensure regional compliance before distribution to prevent product loss. VRT has local data processing units to meet GDPR and CCPA regulations. VRT splits edge into four archetypes: Data-Intensive, Human Latency Sensitive, Machine to Machine Latency Sensitive, and Life Critical. Each of these archetypes has an assigned standardized infrastructure meeting sector-specific regulations and ensuring wider compliance.

In our bear case, we modeled in a 5.1% decrease in FY'25 revenue, a 19.0% miss on consensus estimates to demonstrate the worst-case of costs headwinds by regulations significantly impacting edge expansion.

The Bubble Could Explode!

In recent years, the AI sector has seen increasing investments and exponential growth, in which NVDA has been at the forefront of the AI boom. VRT is a close partner with NVDA through its Partner Network (NPN) providing it with power and cooling solutions. NVDA's annual revenue hit \$130.5 bn in FY'24 and grew 114.2% YoY. Despite this success, NVDA faced investor concern in Jan'25 due to the introduction of DeepSeek, a Chinese AI competitor, supposedly trained at a fraction of most AI models (\$6.0 mn). This caused speculation about a potential AI bubble that caused volatility in VRT's stock price, due to its AI focus and its NVDA partnership. NVDA experienced a 17.0% dip Jan'25 which followed a 30.0% decline the same day for VRT. If the bubble were to burst, VRT's revenue streams could be at a significant risk, particularly if AI infrastructure decreases demand for data centers and HPC.

- *Mitigant:* Unlike companies that are heavily dependent upon the AI market, VRT operates in manufacturing and providing components for data centers that aren't entirely AI-based, having a diverse portfolio to protect the Company from a potential AI bubble. VRT serves an array of sectors protecting them from AI exposures. These sectors include telecommunications, healthcare, industrial applications, and government subsidies.

Our bear case includes a 1.0% decline in FY'25 gross profit, reflecting sudden effects of an AI slowdown.

Asia Pacific Expansion

VRT's acquisition of Chinese manufacturer BSE, positions VRT to rely on foreign supply chains. This can affect future projects with uncertain geopolitical by increasing non-domestic reliance. This cost of this integration poses significant non-recurring costs which causes an initial decrease in margins. Increased inflation, market disruptions, volatility in commodity prices, and imposition of tariffs by the U.S. can cause uncertainty among shareholders for unprecedented durations. VRT is subject to international export and import sanction programs and Chinese anti-trust laws that hold liability and may prevent VRT from operating in future international markets. Prior to acquiring BSE, the financial performance of BSE was not publicly disclosed making it difficult to forecast profitability. This acquisition is classified as a long-term contract and with this, it is imperative that VRT immediately mitigates any risk to prevent a downturn.

- *Mitigant:* VRT reduces the risk of violation of Chinese regional laws and regulations by ensuring compliance with the Air Conditioning, Heating, and Refrigeration Institute (AHRI) and China Refrigeration and Air Conditioning Industry Association (CRAA). While geopolitical conflicts are out of the Company's control, the Company can allocate capital and efforts to strengthen domestic supply chains over time and reduce international dependency.

Given geopolitical risks, we applied a 67.5% COGS as a percent of revenue, a 4.1% increase from FY'24.

PEER GROUP ANALYSIS



Schneider Electric (SU): SU develops, manufactures, and markets sustainable automation systems, energy management, and thermal control solutions. Product offerings include energy distribution systems, industrial automation platforms, and data center infrastructure under brands like EcoStruxure™, APC, and Square D. Schneider serves markets in over 100 countries. In FY'24 the name reported \$41.9 bn, a 6.3% increase from FY'23.



Eaton Corporation (ETN): ETN designs, markets, and distributes power management solutions, including electrical infrastructure, backup power systems, and industrial automation equipment. Its product portfolio includes circuit breakers, power distribution units, wiring devices, and uninterruptible power supply systems. Eaton maintains significant operations across the Americas and EMEA (Europe, Middle East, and Africa). In FY'24 the Company reported revenue of \$24.9 bn, beating FY'23 revenue by 7.3%.

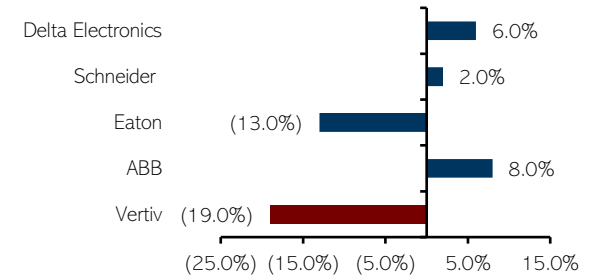


ABB Ltd. (ABB): ABB manufactures, markets, and distributes electrification solutions, robotics, and modular data center systems. Its products include industrial robots, electrical infrastructure components, and automated control systems. ABB operates globally with substantial presence across Europe, Asia-Pacific, and other international markets. In FY'24 the Company reported revenue of \$32.9 bn, a 1.9% increase from FY'23 sales.

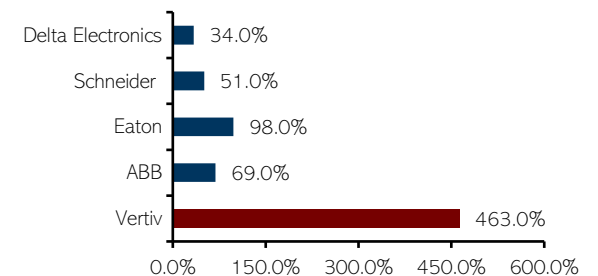


Delta Electronics (TWSE:2308): Delta designs, manufactures, and markets modular data center solutions and energy-efficient cooling technologies. Its product range includes (UPI's), cooling systems, and power distribution solutions. Delta's operations are heavily concentrated in the Asia-Pacific region, serving industrial, commercial, and data center markets. The Company reported \$13.81 bn in revenue for FY'24, a 5% increase from FY'23 sales.

One-Year Performance



Three-Year Performance



Primary Peer Group																	
Company	Ticker	Market Cap	Enterprise Value	Sales LTM	EPS		EBITDA Margin		Profit Margin		Enterprise Value / EBITDA		Sales LTM	Price / Earnings			
					2025E	LTM	2025E	LTM	2025E	LTM	2025E	LTM		2025E	LTM	2025E	2025E
Vertiv Holdings Co	VRT	\$25,790	\$27,677	16.7%	14.6%	7.6%	177.0%	20.7%	22.3%	6.2%	15.0%	15.7x	13.5x	3.5x	3.0x	52.9x	18.7x
Schneider Electric S.E.	ENXTPA:SU	110,511	120,728	6.3%	9.7%	6.5%	30.8%	19.4%	21.8%	11.2%	13.3%	15.5x	13.2x	3.2x	2.9x	26.2x	19.8x
Eaton Corporation plc	NYSE:ETN	106,060	114,005	7.3%	7.6%	18.5%	26.7%	22.5%	24.1%	15.3%	17.6%	19.4x	17.7x	4.6x	4.3x	28.5x	22.5x
ABB Ltd	SWX:ABBN	73,759	76,472	1.9%	4.7%	5.4%	11.6%	18.8%	19.5%	12.0%	13.3%	13.1x	11.4x	2.6x	2.2x	20.9x	16.1x
Delta Electronics, Inc.	TWSE:2308	870,177	865,649	5.0%	16.2%	5.5%	32.8%	17.1%	17.8%	8.4%	9.5%	11.9x	9.9x	2.1x	1.8x	24.8x	18.6x
High		\$870,177	\$865,649	7.3%	16.2%	18.5%	32.8%	22.5%	24.1%	15.3%	17.6%	19.4x	17.7x	4.6x	4.3x	28.5x	22.5x
Mean		290,127	294,214	5.1%	9.5%	9.0%	25.5%	19.4%	20.8%	11.7%	13.4%	15.0x	13.0x	3.1x	2.8x	25.1x	19.3x
Median		108,286	117,367	5.6%	8.7%	6.0%	28.8%	19.1%	20.7%	11.6%	13.3%	14.3x	12.3x	2.9x	2.6x	25.5x	19.2x
Low		73,759	76,472	1.9%	4.7%	5.4%	11.6%	17.1%	17.8%	8.4%	9.5%	11.9x	9.9x	2.1x	1.8x	20.9x	16.1x

Company	General Statistics				Returns Analysis			2024A Leverage Analysis			2024A Coverage Analysis			Liquidity Profile		Credit Profile	
	Ticker	Tax Rate	Beta	Dividend Yield	ROIC	ROE	ROA	Cap	EBITDA	Equity	EBITDA / Int. Exp.	(EBITDA - Capex)/Int.	EBIT / Int. Exp.	Quick Ratio	Current Ratio	S&P	Outlook
Vertiv Holdings Co	VRT	35.2%	1.72	0.2%	20.6%	22.3%	10.1%	0.6x	1.8x	1.3x	11.7x	10.6x	9.2x	1.17	1.65	O	O
Schneider Electric S.E.	ENXTPA:SU	24.0%	0.98	2.0%	12.2%	15.2%	6.5%	0.3x	2.1x	0.5x	16.1x	14.1x	13.5x	0.92	1.23	A	Stable
Eaton Corporation plc	NYSE:ETN	16.8%	1.08	1.5%	13.9%	20.2%	7.6%	0.4x	1.7x	0.5x	50.6x	43.6x	40.3x	0.89	1.50	A-	Stable
ABB Ltd	SWX:ABBN	24.4%	0.83	2.2%	21.7%	27.1%	8.3%	0.3x	1.2x	0.5x	17.0x	14.8x	14.2x	0.93	1.37	A	Stable
Delta Electronics, Inc.	TWSE:2308	21.3%	1.10	2.3%	16.4%	15.5%	6.0%	0.2x	0.9x	0.2x	47.0x	25.4x	30.8x	1.45	2.04	BBB+	Stable
High		24.4%	1.10	2.3%	21.7%	27.1%	8.3%	0.4x	2.1x	0.5x	50.6x	43.6x	40.3x	1.45	2.04		
Mean		21.6%	0.99	2.0%	16.0%	19.5%	7.1%	0.3x	1.5x	0.5x	32.7x	24.5x	24.7x	1.05	1.54		
Median		22.6%	1.03	2.1%	15.1%	17.8%	7.1%	0.3x	1.5x	0.5x	32.0x	20.1x	22.5x	0.93	1.44		
Low		16.8%	0.83	1.5%	12.2%	15.2%	6.0%	0.2x	0.9x	0.2x	16.1x	14.1x	13.5x	0.89	1.23		

MODEL OUTPUT

DCF & Multiples Analyses (WIP)

Our team opted for an NTM EV/EBITDA valuation using a DCF to capture intrinsic value. A 14.6x EBITDA multiple was projected, indicating an attractive price to exit the name. In our base case, we assume that revenue will grow 16.0% in FY'25 and steadily decline by 1-2.5% yearly from FY'26 to FY'29. Likewise, we expect COGS as a percent of revenue to steadily decrease given VRT's growing services segment. As VRT offers niche products and services while being significantly smaller than other competitors, we deviated from a relative valuation. With more companies manufacturing in the U.S., EBITDA/Revenue growth is supported by the rapid growth of edge computing and VRT's DynaFlex BESS. The recent acquisition of BSE and increasing presence in Asia-Pacific will also play a role in high revenue and margin growth as the company caters to major Chinese cloud companies. We expect the perpetuity growth rate to be 2.7% as the Company will realize increased benefits from its life-cycle management services despite potential data center buildout declines from CY'29 onward. In addition, our higher perpetuity growth rate reflects alignment between the Company's service and product sales. Our primary outlook revenue from CY'26 to CY'29 is over consensus estimates by 1-1.7% reflecting the streets underappreciation in VRT's future expansions.

Vertiv Holdings Co (VRT) - Base Case						
Discounted Free Cash Flow Valuation						
(\$millions)						
For the year ended December 31						
	Projected 2025	Projected 2026	Projected 2027	Projected 2028	Projected 2029	Terminal
						Perpetuity Growth Rate 2.7%
EBITDA	\$2,230.5	\$2,689.8	\$3,204.1	\$3,903.3	\$4,479.5	\$4,600.5
Depreciation/Amortization	250.9	284.8	308.5	330.8	367.2	377.1
EBIT	1,979.6	2,405.0	2,895.5	3,572.5	4,112.4	4,223.4
Taxes	534.5	649.4	781.8	964.6	1,110.3	1,140.3
NOPAT	1,445.1	1,755.7	2,113.7	2,607.9	3,002.0	3,083.1
Add: Depreciation/Amortization	250.9	284.8	308.5	330.8	367.2	377.1
Working Capital - (Increase)/Decrease	229.2	(83.4)	(73.7)	(244.9)	52.8	54.2
CAPX	(228.3)	(259.2)	(277.7)	(297.7)	(330.5)	(339.4)
						Terminal FCF 3,175.0
						WACC 10.9%
						Long-Term Growth Rate 2.7%
						Capitalization Rate 8.2%
Free Cash Flow	\$1,696.9	\$1,697.9	\$2,070.8	\$2,396.1	\$3,091.6	\$38,791.7
Discounting Periods - Mid-Year	0.5	1.5	2.5	3.5	4.5	4.5
Present Value Factor	1.0530	1.1676	1.2947	1.4357	1.5919	1.5919
Present Value FCF	\$1,611.4	\$1,454.2	\$1,599.4	\$1,669.0	\$1,942.0	\$24,367.7

VALUATION

Invested Capital Value (EV)	\$32,643.8
Less: Total Outstanding Debt	(2,907.2)
Add: Cash	1,227.6
EQUITY VALUE	\$30,964.2
Shares Outstanding	386.3
Value per Share	\$80.16
Current Market Price per Share (Previous Close)	\$69.61

Implied Return	15.1%
----------------	-------

Projected NTM P/E Multiple	24.1x
Projected NTM EV/EBITDA Multiple	14.6x

APPENDIX

Exhibit I: VRT Worldwide Operations

Global Presence



GLOBAL PRESENCE

Manufacturing Locations: **22**
 Service Centers: **240+**
 Service Field Engineers: **3,500+**
 Technical Support Personnel: **190+**
 Customer Experience Centers: **19**

AMERICAS

Manufacturing Locations: **8**
 Service Centers: **100+**
 Service Field Engineers: **1,600+**
 Technical Support Personnel: **70+**
 Customer Experience Centers: **5**

EUROPE, MIDDLE EAST AND AFRICA

Manufacturing Locations: **9**
 Service Centers: **60+**
 Service Field Engineers: **600+**
 Technical Support Personnel: **100+**
 Customer Experience Centers: **5**

ASIA PACIFIC AND INDIA

Manufacturing Locations: **5**
 Service Centers: **80+**
 Service Field Engineers: **1,300+**
 Technical Support Personnel: **20+**
 Customer Experience Centers: **9**

DISCLAIMER

This document contains confidential information and is intended for use internally at the Fox School of Business and with those involved with the Temple University Fox Fund. The Temple University Fox Fund does and seeks to do business with companies covered in its research reports. Thus, investors should be aware that the Fund may have conflicts of interest that could affect the objectivity of this report.

This report is prepared strictly for educational purposes and should not be used as an actual investment guide. The forward-looking statements contained herein are simply the author's opinions. Though the information herein is believed to be reliable and has been obtained from public sources believed to be reliable, the Temple University Fox Fund makes no representation as to its accuracy or completeness. References to third-party publications in this report are provided for reader convenience only. The Temple University Fox Fund neither endorses the content nor is responsible for the accuracy or security controls of these sources.

Opinions, estimates, and projections constitute the current judgment of the author as of the date of this report. They do not necessarily reflect the opinions of the Temple University Fox Fund and are subject to change without notice. The Temple University Fox Fund's Analysts sometimes have shorter-term trade ideas that are consistent or inconsistent with the Temple University Fox Fund's longer-term investment outlook. The writer(s) do(es) not own any of the securities mentioned in this report.