

# EATON CORPORATION PLC (NYSE: ETN)



*Powering Business Worldwide*

*Industries: Industrial Products, Electrical  
Machinery*

Current Price	12-Month Target Price	Target Growth Rate
\$138.55	\$151.72	9.51%

**Eaton Corporation PLC is a power management company operating for over 100 years, headquartered in Dublin, Ireland.**

Segments:

- Electrical Products/Systems and Services
- Aerospace, Vehicle, E-Mobility

**Eaton's mission is to improve the quality of life and the environment through the use of power management technologies and services.**

# Businesses and Services

## Electrical

- The Electrical segment consists of electrical and industrial components, power distribution and assemblies, residential products, single and three phase power quality, wiring devices, circuit protection, utility power distribution, power reliability equipment, etc.
- Eaton sells hazardous duty electrical equipment, emergency lighting, fire detection, intrinsically safe explosion-proof instrumentation, and structural support systems.
- The principal markets for this segment are industrial, institutional, governmental, utility, commercial, residential and information technology.

## Vehicles

- Eaton manufactures, markets, and supplies drivetrain, powertrain systems and critical components that reduce emissions and improve fuel economy, stability, performance, and safety of cars, light trucks, and commercial vehicles.
- Products include transmissions, clutches, hybrid power systems, superchargers, engine valves and valve actuation systems, cylinder heads...etc.
- The principal markets for the Vehicle segment are original equipment manufacturers (OEM) and aftermarket customers of trucks, SUVs, passenger cars and agricultural equipment.

# Businesses and Services

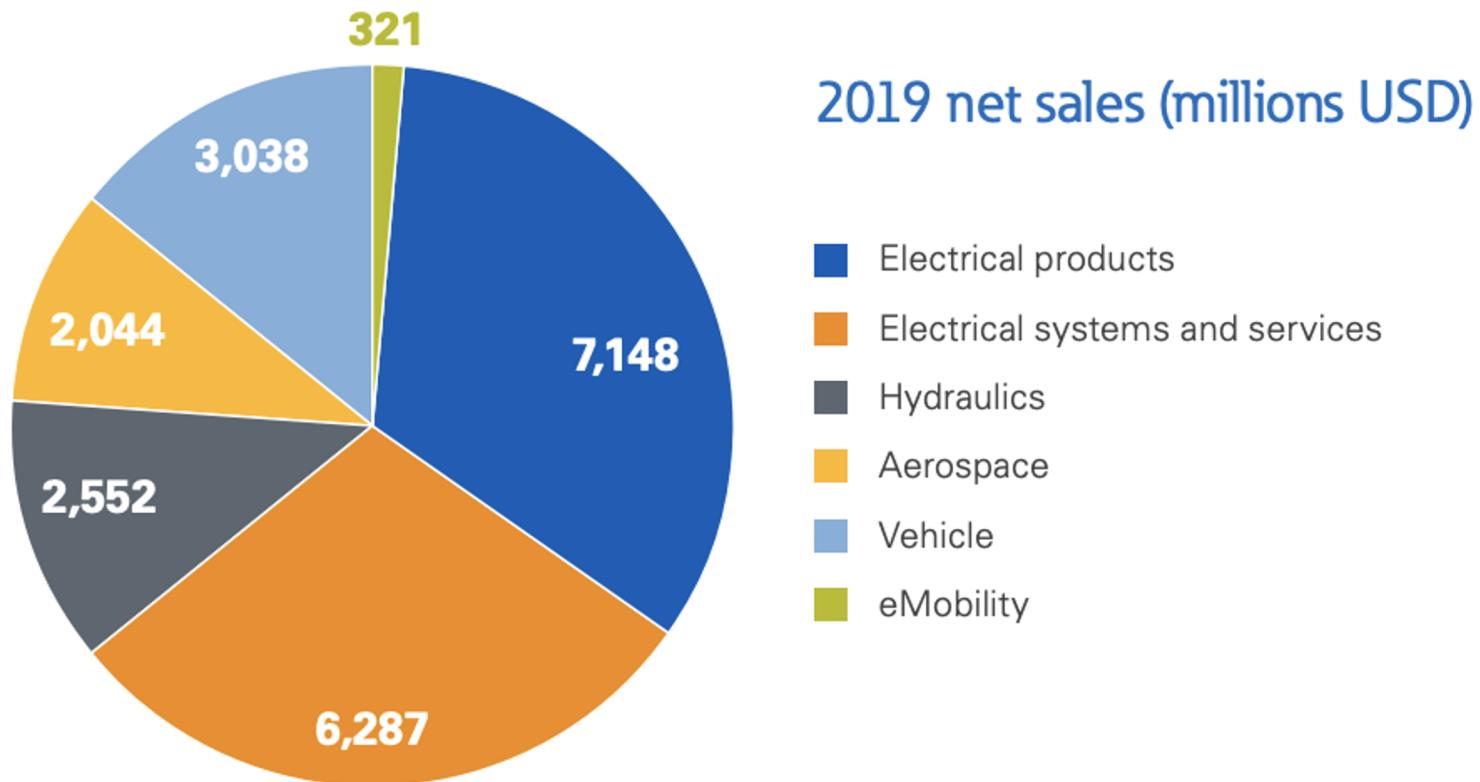
## eMobility

- The eMobility segment designs, manufactures, markets, and supplies electronic components and systems that improve the power management and performance of both on-road and off-road vehicles.
- Products include high voltage inverters, converters, fuses, onboard chargers, circuit protection units, vehicle controls, power distribution, fuel tank isolation valves, and commercial vehicle hybrid systems.
- The principal markets for the eMobility segment are OEM and aftermarket customers of passenger cars, commercial vehicles, and construction, agriculture, and mining equipment.

## Aerospace

- The Aerospace segment is a leading global supplier of aerospace fuel, hydraulics, and pneumatic systems for commercial and military use, as well as filtration systems for industrial applications.
- The principal markets for the Aerospace segment are manufacturers of commercial and military aircraft and related aftermarket customers, as well as industrial applications. These manufacturers and other customers operate globally. Products are sold and serviced through a variety of channels.

# Revenue By Segment



# Price Performance



# Financials

ETN Summary Statistics	
<b>Current Price</b>	\$138.69
<b>52 Week Range</b>	70.34 - 141.37
<b>Market Cap</b>	\$55.25B
<b>P/E</b>	39.79
<b>P/S</b>	3.14
<b>Beta</b>	1.16
<b>Forward Dividend &amp; Yield</b>	2.19%

ETN Forecast Data				
Year	2021	2022	2023	2024
<b>NOPAT</b>	\$2.01B	\$2.06B	\$2.10B	\$2.13B
<b>FCF</b>	\$2.26B	\$2.31B	\$2.36B	\$2.40B
<b>EPS</b>	\$5.56	\$5.68	\$5.79	\$5.89
<b>BVPS</b>	\$39.63	\$41.79	\$43.99	\$46.23

ETN Financial Summary					
(millions)	2019	2020	2021	2022	2023
<b>Revenue</b>	21390	17858	18284	18680	19043
<b>Gross Profit</b>	7052	5450	5580	5700	5811
<b>EBITDA</b>	3747	2635	2698	2756	2810
<b>Net Income</b>	2213	1415	1449	1480	1509

\*Cells denoted in yellow are estimated values

# Peer's Ratios

COMPANY	SBGSY	SIEGY	CMI	PH
Gross Profit Margin	%	%	24.70%	%
EBITDA Margin	%	%	14.85%	%
Net Profit Margin	%	%	9.03%	%

# Growth Opportunities

- Infrastructure Bill
- Increase demand for EV Vehicles/Charging
- Growth in Power Management System Market in Asia-Pacific Region
  - Rise in manufacturing, data centers and metals/mining
- Increasing focus on safety, especially in manufacturing environment
  - There is increasing awareness about protection systems against electricity and power fault
- Growth in Aerospace

# Valuation

FCF	0	1	2	3	4	5
Year						
<b>g</b>		<b>2.39%</b>	<b>2.16%</b>	<b>1.94%</b>	<b>1.72%</b>	<b>1.50%</b>
<b>FCF</b>	\$ 2,555.00	\$ 2,263.38	\$ 2,312.37	\$ 2,357.30	\$ 2,397.88	\$ 2,433.84
<b>WACC</b>		<b>6.61%</b>				
<b>Horizon Value (Vop 4)</b>						\$ 47,661.62
PV		\$2,123.12	\$2,034.65	\$1,945.64	\$38,757.13	
			\$2,169.07	\$2,074.18	\$41,317.62	
Vop			\$ 44,860.54	\$ 45,560.87		
+ Short-Term Investments			\$ 1,102.00	\$ 1,102.00		
+ Non-Operating Assets			\$ 22,086.00	\$ 22,086.00		
Value of Firm			\$ 68,048.54	\$ 68,748.87		
- Total debt			\$ 8,058.00	\$ 8,058.00		
- Preferred Equity and Minority Interest			\$ 43.00	\$ 43.00		
- Value of Equity			\$ 60,033.54	\$ 60,733.87		
Current Shares Outstanding			398.00	398.00		
<b>FCF Price</b>		<b>\$ 150.84</b>				
<b>12-month Target</b>				<b>\$ 152.60</b>		

# Investment Thesis

- Infrastructure Bill
- Increase demand for EV Vehicles/Charging
- Rise in manufacturing, data centers and metals/mining
- Increasing focus on safety, especially in manufacturing environment
  - There is increasing awareness about protection systems against electricity and power fault
  - Defensive Sector/Company
- BUY

# Risk

- Volatility of end markets that Eaton serves  
→ The Company has taken measures to reduce the impact of this volatility through diversification of the markets and expansion of geographic regions it operates in. Future downturns in any of the markets could negatively affect profitability.
- Eaton's operating results depend partially on continued successful research & development and marketing of new and/or improved products and services.

Low	Medium	High
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