

Initiating Coverage

Baker Hughes Company (\$BKR)

Powering the Pivot: Trading Like Oil, Built Like Infrastructure

Key Take-away:

Baker Hughes offers significant upside through a structural re-rating from a cyclical Oilfield Services (OFS) multiple (11.5 EV/EBITDA) to a diversified Energy Infrastructure multiple (13-16x EV/EBITDA). This transition is driven by the disproportionate growth of its Industrial & Energy Technology (IET) segment, which creates a high-barrier-to-entry moat in turbomachinery and digital solutions essential for LNG, AI data center power, and geothermal energy.

LNG Supply Security Concerns Accelerate Investment in Liquefaction Infrastructure

Growing global demand for natural gas, combined with an increased focus on energy security is driving new investment in LNG infrastructure. Recent supply disruptions and geopolitical uncertainty have revealed the importance of expanding liquefaction capacity, regasification terminals, and other related energy infrastructure to ensure reliable global energy flows. This trend is contributing to an increase in demand for critical equipment suppliers, including providers of turbomachinery required for LNG projects. Companies with established capabilities across the LNG value chain, including BKR, are best positioned to benefit as global energy markets prioritize additional capacity and supply diversification.

Federal Support and Policy Tailwinds Accelerate Geothermal Commercialization

Enhanced geothermal systems (EGS) are gaining momentum as policymakers and industry participants look for reliable, low-carbon sources of baseload energy. Federal initiatives, including the Department of Energy's Enhanced Geothermal Shot, and research efforts such as the Utah FORGE project, are helping address the technical and economic barriers that have historically limited geothermal deployment. In addition to this, industry groups and regulators are working to streamline permitting and development processes in efforts to create a more favorable environment for commercial geothermal projects. This incentivizes investment and interest in geothermal, which then benefits companies with expertise in drilling, subsurface engineering and high temperature energy technologies.

Valuation: We initiate coverage with a \$82 PT.



Consortium Research Group
Energy | OFSE
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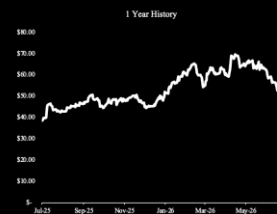
Stock Rating: Overweight

Price Target: \$82.00

Price: \$57.58

Potential Upside/ 71.46%

Ticker: \$BKR



Energy | Oil & Gas

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Company Overview

Company Description: Baker Hughes Company (BKR), headquartered in Houston, Texas, is a leading global energy technology company that serves industrial, upstream, midstream, downstream, onshore, offshore, and small-to-large scale customers. They generate the majority of their revenue from their Oilfield Services & Equipment segment (OFSE), which provides a comprehensive suite of exploration, development, production, and decommissioning technologies and services for oilfield operations. Their other segment, Industrial & Energy Technology (IET), offers gas technology equipment, turnkey solutions, aftermarket support, flow control and safety solutions, non-destructive testing technologies, and digital asset optimization software.

Full-Value Chain Technology Solutions: BKR operates as an integrated energy technology company. Unlike pure-play oilfield services companies (e.g., NOV, WFRD) that rely heavily on labor-intensive, low-margin services, BKR owns the critical hardware layer of the energy value chain. This integration allows BKR to offer a comprehensive suite of solutions across the entire energy value chain, including upstream drilling and completion fluids, downstream gas compression, LNG solutions, and digital asset optimization. Their legacy GE oil and gas turbomachinery business, which was acquired via a merger in 2017, includes gas turbines, compressors, and heat exchangers. This proprietary hardware capability is unique to BKR and creates a high barrier to entry that pure-service competitors lack.

Strategic Positioning in New Energy and Critical Infrastructure: BKR has expanded its footprint into emerging energy markets and critical infrastructure through both segments. Within OFSE the company is leveraging its drilling expertise to serve geothermal companies by providing high-temperature drilling fluids and bits for Enhanced Geothermal System (EGS). Within IET, the company's Climate Technology Solutions division develops technologies for hydrogen production (electrolyzers), carbon capture and storage (CCS), and grid stabilization. Additionally, BKR is positioned as a key supplier of power generation turbines for AI data center buildouts and natural gas-fired power plants, capitalizing on the growing demand for reliable, on-site power generation and LNG infrastructure.

Industry Overview

AI-Driven Demand for Firm, On-Site Power Generation: The rapid expansion of AI and hyperscale data centers has created a structural increase in electricity demand, placing significant pressure on existing power grids. Global data center electricity consumption is projected to more than double from approximately 460 TWh in 2022 to over 1,000 TWh by 2026, with AI workloads representing the fastest-growing source of demand. Operators require reliable, 24/7 baseload generation because AI computing requires continuous, high-density power with minimal interruption. Because intermittent renewable resources alone cannot consistently provide this, result, utilities and hyperscale developers are accelerating investment in natural gas-fired generation, grid stabilization technologies, and on-site power infrastructure while transmission upgrades struggle to keep pace.

Accelerated Commercialization of Enhanced Geothermal Systems (EGS): The global energy transition is driving a secular increase in demand for natural gas infrastructure, particularly in LNG export capacity and midstream processing. Global LNG demand is expected to increase by approximately 50–60% by 2040, while more than 250 MTPA of new liquefaction capacity is projected to come online between 2025 and 2030. This growth is supported by long-term grid modernization efforts, continued coal-to-gas switching in emerging markets, and the need for reliable, lower-emission baseload generation to complement intermittent renewable energy sources. As a result, utilities and independent power producers (IPPs) are accelerating Final Investment Decisions (FIDs) for large-scale gas-fired power plants and LNG terminal expansions, creating a multi-decade capital expenditure cycle. These projects require critical turbomachinery, including industrial gas turbines,

compressors, and heat exchangers, which are essential for the compression, transportation, liquefaction, and processing of natural gas, positioning Baker Hughes to benefit from sustained long-cycle infrastructure investment.

Secular Growth in LNG and Gas Infrastructure Driven by Grid Modernization: The global LNG market is facing a structural supply shock following Iran's strikes on Qatar's Ras Laffan industrial complex, which damaged two liquefaction trains and reduced Qatar's LNG export capacity by 17% (12.8 MTPA). QatarEnergy estimates repairs will require 3–5 years and result in approximately \$20 billion of annual lost revenue, tightening global LNG markets for years rather than months. While the disruption has intensified near-term supply concerns, it also reinforces a longer-term trend driven by grid modernization, energy security, and coal-to-gas switching in emerging markets. Utilities and independent power producers are accelerating Final Investment Decisions (FIDs) for new liquefaction terminals, regasification facilities, and gas-fired power generation to restore supply reliability and meet growing global demand. Because LNG megaprojects typically require 4–7 years to construct and depend on industrial gas turbines, compressors, and other rotating equipment, the industry is entering a multi-year capital investment cycle that should provide durable demand for Baker Hughes' turbomachinery business and recurring aftermarket services, largely independent of short-term oil price fluctuations.

Peer Comparisons

Comparable Companies					
\$mm					
Ticker	Mkt Cap	EV	P/E NTM	Revenue LTM	EBITDA LTM
SLB	\$70,270	\$79,620	16.9x	\$35,939	\$4,724
HAL	\$28,580	\$34,700	13.5x	\$22,169	\$2,152
ETN	\$154,750	\$175,870	29.4x	\$28,522	\$6,310
GEV	\$299,110	\$294,200	62.1x	\$39,375	\$3,415
Baker Hughes	\$57,120	\$146,098	30.5x	\$31,501	\$4,150

Ticker	NTM EV/ EBITDA	Gross Margin	EBITDA Margin	EBIT Margin	1 Yr Rev Growth Rate LF
SLB	9.4x	82.2%	20.9%	14.9%	0.6%
HAL	8.0x	15.3%	18.6%	13.4%	(1.0%)
ETN	22.7x	18.1%	22.2%	18.6%	10.3%
GEV	41.8x	20.3%	8.7%	6.2%	9.0%
Baker Hughes	20.5x	34.0%	17.6%	13.3%	4.7%

High	41.80x	82.2%	22.2%	18.6%	10.3%
75th Percentile	22.70x	34.0%	20.9%	14.9%	9.0%
Average	20.48x	34.0%	17.6%	13.3%	4.7%
Median	20.48x	20.3%	18.6%	13.4%	4.7%
25th Percentile	9.40x	18.1%	17.6%	13.3%	0.6%
Low	8.00x	15.3%	8.7%	6.2%	-1.0%

General Dynamics Valuation	
Implied Enterprise Value (25th Percentile)	\$ 39,012
Implied Enterprise Value (Median)	\$ 84,976
Implied Enterprise Value (75th Percentile)	\$ 94,211

Implied Share Price (25th Percentile)	\$ 39.10
Implied Share Price (Median)	\$ 85.43
Implied Share Price (75th Percentile)	\$ 94.74

Source: Capital IQ, Bloomberg

Baker Hughes trades at a premium to its closest competitor, Schlumberger (SLB), reflecting its superior growth profile and integrated business model. While SLB trades at a cyclical 9.4x NTM EV/EBITDA with minimal growth (0.6%), BKR commands 11.5x with 5.6% growth, driven by its proprietary turbomachinery hardware. Unlike SLB, which is a pure-play service provider lacking critical compression and power generation assets, BKR's legacy GE Oil & Gas acquisition allows it to offer end-to-end solutions for complex projects like LNG and geothermal. This "hardware-plus-service" moat creates higher barriers to entry and stickier recurring revenue, justifying BKR's valuation premium over other traditional OFS peers like Halliburton (8.0x) and NOV.

BKR's current multiple is significantly discounted to diversified energy infrastructure peers, creating a clear path for expansion as its Industrial & Energy Technology (IET) segment scales. Companies like Eaton (22.7x), Vertiv (34.0x), and GE Vernova (41.8x) trade at multiples more than double the OFS average (8.6x) due to their exposure to AI power, grid modernization, and stable recurring revenues. As BKR's revenue mix shifts toward these secular tailwinds, we argue for a blended exit multiple of 14–16x EV/EBITDA. This target represents a conservative re-rating which is still well below Eaton's multiple while acknowledging BKR's transition from a cyclical oilfield driller to a critical infrastructure enabler with de-cyclical cash flows.

Accelerating the Structural Shift to High-Quality IET Revenue

BKR is reducing its reliance on cyclical drilling and completions by expanding its Industrial & Energy Technology (IET) segment, increasing exposure to higher-margin equipment, digital solutions, and recurring aftermarket services. Unlike traditional oilfield services, a growing share of earnings is generated from long-cycle LNG, power generation, and industrial infrastructure projects supported by multi-year backlogs and an expanding installed base of turbomachinery. As this business mix evolves, our Base Case projects consolidated EBITDA margins to expand from 18.5% in 2027 to 20.0% by 2031, while creating more predictable cash flows that are less sensitive to short-term commodity price fluctuations.

Our sensitivity analysis shows Baker Hughes' enterprise value is materially less responsive to changes in oil prices than pure-play OFS peers, supporting a lower cost of capital (8.5–9.0% versus 9.5–10.0%) as investors place a premium on more stable, infrastructure-like cash flows. As margins expand, free cash flow conversion improves, and earnings become less cyclical, we believe the market will increasingly value Baker Hughes alongside diversified energy infrastructure companies rather than traditional oilfield service providers. We therefore expect its valuation to re-rate from its current 10.8x NTM EV/EBITDA toward a blended 13–16x EV/EBITDA multiple.

Structural Moat in Turbomachinery Driving Disproportionate IET Growth

BKR possesses a high-barrier-to-entry moat in proprietary turbomachinery that positions it to capture disproportionate growth in AI power and LNG infrastructure, driving IET revenue growth well ahead of the broader OFS market. BKR is one of the few companies globally capable of manufacturing large-scale industrial gas turbines, heavy-duty compressors, and related rotating equipment. These complex, high-capex assets require decades of engineering expertise, creating significant barriers to entry and a defensive moat that service-heavy peers (e.g., NOV, WFRD) cannot replicate. Additionally, BKR's large installed base generates recurring, high-margin aftermarket revenue throughout the equipment lifecycle. BKR is positioned to benefit from secular demand growth in AI-driven power generation, LNG expansion, and grid modernization. The increasing need for reliable baseload power and natural gas infrastructure supports sustained demand for turbines, compressors, and grid stabilization equipment.

This moat allows BKR to outpace traditional OFS growth. Our model projects IET revenue growth of approximately 7% in 2027 and approximately 5.5% by 2031, significantly above OFSE's low-single-digit growth, demonstrating BKR's transition from a cyclical oilfield services company into a diversified energy infrastructure platform.

Insider Insight: In direct conversation with former BKR Product Line Director Timothy Adams, he confirmed the moat is structural rather than tactical. Adams noted that the scale of turbomachinery projects span decades, which create “deep, sticky client relationships” that are nearly impossible to disrupt. He also noted a key competitive gap: while SLB has pivoted towards subsea, BKR leverages its legacy GE assets to provide integrated and turnkey solutions, protecting margins from commoditization.

Execution Leadership In Geothermal and New Energy Transition

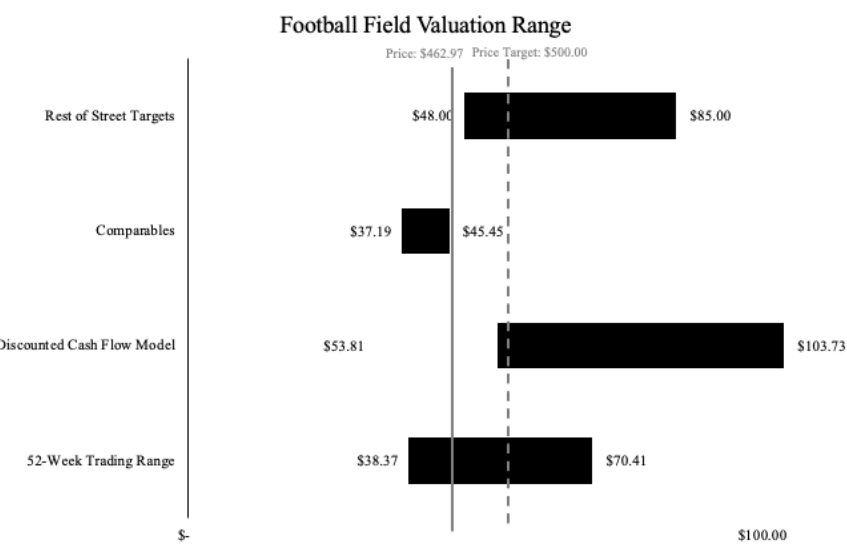
BKR is uniquely positioned to benefit from the commercialization of Enhanced Geothermal Systems (EGS), leveraging its drilling expertise, subsurface capabilities, and power generation technology to capture growth in a high-potential baseload energy market.

Geothermal is gaining momentum as a reliable, carbon-free power source, particularly as AI-driven electricity demand increases the need for 24/7 firm power. Fervo Energy's Cape Station represents a key

commercialization milestone, with the project expected to deliver 500 MW of geothermal capacity in Utah, including 100 MW in Phase I by 2026 and an additional 400 MW by 2028. The project has attracted significant capital, including \$421 million in project financing, demonstrating growing market confidence in next-generation geothermal. BKR's advantage comes from its integrated energy technology platform. Its OFSE segment provides drilling, well construction, and subsurface expertise, while its IET segment provides turbomachinery and power conversion equipment required to convert geothermal resources into electricity. This combination positions BKR as a key technology provider as EGS moves from pilot projects toward commercial-scale deployment. The expansion of geothermal provides BKR with a long-term growth opportunity that diversifies earnings and remains independent of traditional oil and gas cycles.

Price Target & Valuation

Our analysis gives (\$BKR) a price target of \$81.77 and an overweight rating.



Potential Downsides to Our Rating

Downside 1: Execution Risk

The commercialization of Enhanced Geothermal Systems (EGS) faces significant technical execution risks that could delay industry-wide adoption and revenue recognition for BKR’s OFSE segment. Pure-play developers like Fervo Energy (FRVO) have highlighted these challenges; for example, at their Cape Station project, FRVO encountered issues with well communication due to natural fault lines, leading to delays and increased costs. While FRVO is a strategic partner for BKR in some capacities, these execution hurdles underscore the difficulty of scaling EGS. If major projects face similar geological or technical setbacks, it could slow the pace of geothermal deployment, delaying the revenue tailwinds BKR expects from its geothermal drilling and surface equipment solutions.

Downside 2: SLB’s Capital Advantage and Potential Market Entry

While BKR currently leads in integrated geothermal and turbomachinery solutions, SLB possesses significantly more extensive capital resources and stronger global government relationships (ex: Malaysia, Kenya, and Indonesia). Although SLB currently lacks BKR’s dedicated turbomachinery hardware, it could rapidly close this gap through strategic acquisitions or partnerships. If SLB leverages its scale to replicate BKR’s "drilling-plus-power" model, it could compete aggressively on price and execution, eroding BKR’s first-mover advantage in New Energy. This competition could compress

Our Price Target: \$81.77

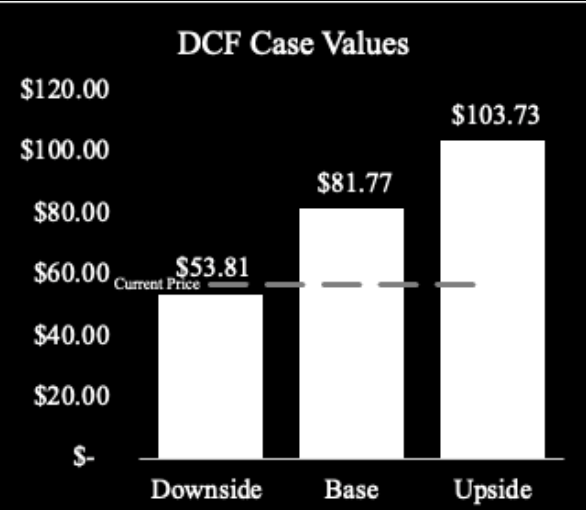
Our PT is based on a 13.0x EV/EBITDA exit multiple. We assume margins expand from 18.5% in 2027 to 20% in 2031, driven by a moderate segment shift where IET revenue grows at 7% in 2027 and 5.5% in 2031, while OFSE decreases from 0% in 2027 to 5.5% in 2031.

Our Upside Case: \$103.73

Our upside case is based on a 15x EV/EBITDA exit multiple. We assume EBITDA margins expand from 18.5% in 2027 to 21% in 2031, driven by a segment shift where IET revenue grows at 10% in 2027 and 8% in 2031, while OFSE growth moderated from 1.0% in 2027 to 0% in 2031.

Our Downside Case: \$53.81

Our downside case is based on a depressed 9.5x EV/EBITDA exit multiple. We assume margins remain steady at 17.5%, and that IET growth moderately increases to 4% in 2027 then decreases to 3% in 2031, while OFSE decreases from -1% in 2027 to -3% in 2031.



margins in the geothermal sector and challenge BKR's ability to command a premium valuation for its New Energy leadership.

Downside 3: Geopolitical Normalization & OFSE Earnings Volatility

BKR's Oilfield Services & Equipment (OFSE) segment remains exposed to traditional oil price cycles, which are currently distorted by geopolitical events. According to the CFRA, the current oil price spike (\$99/bbl) is driven by the Iran War and Strait of Hormuz disruptions, not fundamental demand growth. The EIA forecasts a drop to \$72/bbl in 2027. If geopolitical tensions ease and prices revert to pre-war levels, upstream capital expenditure could contract, leading to lower OFSE revenue and margin compression. While IET growth provides a long-term hedge, a severe near-term downturn in OFSE could drag down total earnings. This could temporarily compress while BKR transitions over multiple years to an infrastructure-focused multiple.

Projections

Income Statement (\$mm)	2025A	2026E	2027E	2028E	2029E	CAGR%
Revenue	27,733	27,294	28,209	29,105	29,956	2.6%
EBITDA	5,879	6,074	6,488	6,767	7,040	6.2%
EBIT	4,695	4,821	5,219	5,494	5,766	7.1%
NOPAT	4,044	4,072	4,123	4,340	4,555	4.1%
Margin & Growth Data	2025A	2026E	2027E	2028E	2029E	AVG%
EBITDA Margin	21.2%	22.3%	23.0%	23.3%	23.5%	22.6%
EBIT Margin	16.9%	17.7%	18.5%	18.9%	19.3%	18.2%
Revenue Growth	-0.3%	-1.6%	3.4%	3.2%	2.9%	1.5%
EBIT Growth	2.8%	2.7%	8.2%	5.3%	5.0%	4.8%
Valuation Metrics	2025A	2026E	2027E	2028E	2029E	AVG%
P/FCF	16.2x	13.2x	14.5x	13.9x	13.3x	14.2x
EV/Sales	2.1x	2.1x	2.0x	2.0x	1.9x	2.0x
EV/EBITDA	9.7x	9.4x	8.8x	8.4x	8.1x	8.9x
FCF Yield	6.2%	7.6%	6.9%	7.2%	7.5%	7.8%

About \$BKR

Baker Hughes Company (\$BKR), founded in 1907, operates as a global energy technology company. It provides equipment, services, and digital solutions for oil, gas, and power generation across the entire energy value chain. Headquartered in Houston, Texas, the company is unique because it combines Oilfield Services & Equipment (OFSE) with Industrial & Energy Technology (IET) to offer integrated hardware and software solutions. Its key goal is to power progress by helping customers extract energy efficiently and accelerate the energy transition.

Disclosures & Ratings

Consortium Equity Research does not hold any professional relationships with any reported equities.

Overweight means the analyst team believes the stock price will outperform the coverage industry benchmark (TMT, Healthcare, Industrial, Consumer, FIG, Energy & Sustainability) in the next 6-12 months. **Equal Weight** means the team expects performance in line with the industry benchmark. **Underweight** means the team expects underperformance relative to the industry benchmark.

Appendix

Baker Hughes
Discounted Cash Flow

Active Case:	2 Base
Current Share Price	\$56.56

DCF Analysis (\$mm)	FY2020	FY2021	FY2022	FY2023	FY2024	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031
	12/31/20	12/31/21	12/31/22	12/31/23	12/31/24	12/31/2026	12/31/27	12/30/28	12/30/29	12/30/30	12/31/31
Stub						1.52	2.52	3.52	4.52	5.52	6.52
Discount Period						(0.26)	(0.02)	0.98	1.98	2.98	3.98
Revenue	20,502	21,156	25,506	27,829	27,733	27,294	28,209	29,105	29,956	30,754	31,495
Revenue Growth	0%	3%	21%	9%	0%	-2%	3%	3%	3%	3%	2%
Upstream	11,830	12,038	15,355	15,640	14,310	13,893	13,893	13,841	13,737	13,582	13,378
Industrial & Energy Tech	8,672	9,118	10,151	12,189	13,423	13,380	14,316	15,265	16,219	17,172	18,116
EBIT	2,583	2,989	3,744	4,569	4,695	4,821	5,219	5,494	5,766	6,035	6,299
EBIT Margin	13%	14%	15%	16%	17%	18%	19%	19%	19%	20%	20%
Tax Expense	235	274	469	638	651	749	1,096	1,154	1,211	1,267	1,323
Effective Tax Rate	21%	21%	21%	21%	21%	21%	21%	21%	21%	21%	21%
NOPAT	2,348.43	2,715.16	3,275.28	3,930.81	4,043.58	4,071.72	4,122.74	4,339.97	4,555.50	4,768.01	4,976.15
D&A	1,105	1,061	1,087	1,136	1,184	1,253	1,269	1,273	1,273	1,269	1,260
Capex	856	989	1,224	1,278	1,273	1,309	1,185	1,244	1,303	1,361	1,417
Changes in NWC	61	(3,205)	(2,938)	(704)	488	(234)	339	320	300	277	252
UFCF	2,536	5,992	6,076	4,493	3,467	4,250	3,869	4,049	4,226	4,399	4,567
PV of FCF						4,340	3,876	3,744	3,606	3,464	3,319

Weighted Average Cost of Capital (\$mm)

Market Risk Premium	5.50%
Beta	0.94
Risk Free Rate	4.57%
Cost of Equity	7.56%
Weighted Average Cost of Debt	4.65%
Tax Rate	21.00%
Cost of Debt	0.82%
Total Equity	\$56,110
Total Debt	\$780
Equity/Total Capitalization	77.64%
Debt/Total Capitalization	22.36%
WACC	8.38%

Terminal Value	
Perpetuity Growth Method	
2031 FCF	\$4,567
Growth	2.50%
Terminal Value	\$79,574
PV of Terminal Value	\$57,776
PV of Projection Period	\$22,341
PV of Terminal Value	\$57,776
Implied TEV	\$80,117
(-) Debt	\$15,411
(+) Cash	\$14,764
Implied Equity Value	\$79,470
Basic Shares Outstanding	992
Implied Share Price	\$80.11
Upside/Downside	41.64%

Implied Exit EV/EBITDA	12.7x
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Terminal Value	
Exit Multiple Method	
2031 EBITDA	\$6,299
EV/EBITDA Exit Multiple	13.0x
Terminal Value	\$81,886
PV of Terminal Value	\$59,455
PV of Projection Period	\$22,341
PV of Terminal Value	\$59,455
Implied TEV	\$81,796
(-) Debt	\$15,411
(+) Cash	\$14,764
Implied Equity Value	\$81,149
Diluted Shares Outstanding	992
Implied Share Price	\$81.80
Upside/Downside	44.6%

Implied PGR	2.3%
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Blended Share Price	
Perpetuity Growth Method	0%
Exit Multiple Method	100%
Blended Share Price	\$81.80
Upside/Downside	44.63%

