Initiating Coverage:

Eaton Corporation plc ($ETN)

Powering the AI Revolution

Key Take-away: Eaton reported strong Q1 2026 results with record first-quarter sales of $7.5 billion, up 17% year over year, beating consensus estimates of $7.13 billion by approximately 5%, with organic growth of 10% exceeding prior guidance of 5-7%. Results reflect growing demand across its Electrical, Aerospace, and data center-exposed businesses. Eaton also displayed order momentum in its data center orders up an approximate 240%, while data center revenue was up approximately 50% versus Q1 2025. Orders and backlog also continued to accelerate. Despite record revenue and strong data center demand, investors were concerned that margins did not expand as much as expected. Segment margins came in at 22.7%, above guidance, but declined 120 bps year over year. This suggests Eaton is spending heavily on expanding capacity, integrating new acquisitions such as Boyd Thermal and growth investments to keep up with high demand.

Strategic Mobility Spin-Off: Eaton entered into a definitive agreement with Dana Incorporated to separate and combine its Mobility group with Dana in a Reverse Morris Trust transaction, creating a combined company valued at over $10 billion. Eaton’s mobility group mainly serves to produce products within the vehicle market such as drivetrain and powertrain components. The Mobility segment’s cyclical, lower-margin profile has weighed on Eaton’s valuation. Spinning it off will allow the company to focus on its higher-growth Electrical and Aerospace businesses as AI infrastructure demand and aerospace investment continue to accelerate ahead of the expected Q1 2027 closing. As these businesses continue to scale the spin-off is intended to close the gap between what those businesses are worth and what the market is paying.

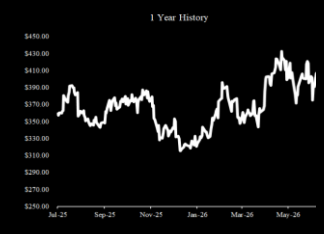
AI-Driven Data Center Expansion: AI-Data Centers, built with large amounts of GPUs require a massive amount of power and cooling. Eaton utilizes a grid to chip product portfolio allowing power to safely travel from the grid all the way to individual chips. This positioning produced a 240% year-over-year surge in data center orders within the Electrical Americas portfolio during the first quarter of 2026. As AI workloads increase power density, liquid cooling is essential to address the intense heat generated by GPUs. Eaton addressed this directly through its acquisition of Boyd Thermal, integrating critical liquid cooling solutions directly into its catalog. Backed by Boyd Thermal's projected $1.7 billion in full-year 2026 revenue, Eaton is positioned to capture a significant share of the growing domestic data center buildout. While aggressive factory scaling has introduced near-term margin compression, the resulting multi-year backlog provides higher revenue visibility and helps protect Eaton from broader industrial cyclicality.

Valuation: We initiate coverage with a $446.00 PT.

Consortium Research Group
Industrials | Electrical Components & Equipment
July 6th, 2026

Stock Rating:	Overweight
Price Target:	$446

Price:	$414
Potential Upside/Downside:	7.7%
Ticker:	$ETN



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Company Overview

Company Description: Eaton (ETN) is a 115-year-old global power management company providing critical hardware including switchgear, circuit breakers, uninterruptible power supplies, transformers, and liquid cooling systems. Once a customer installs Eaton equipment in a facility, switching costs are prohibitively high, creating recurring service revenue that follows for the lifetime of the equipment. What differentiates Eaton from competitors is its ability to supply the entire power chain under one roof, from switchgear at the grid connection all the way to rack-level power distribution inside a data center.

Business Segment Overview: Eaton runs four business segments. The biggest is Electrical Americas, which makes up roughly 48% of revenue and covers power management for North American data centers, utilities, and commercial buildings. Electrical Global is about 26% of revenue and sells the same products internationally. Aerospace is around 15% and supplies hydraulic and fuel management systems to commercial airlines and defense contractors. Mobility, the smallest at 10%, makes vehicle drivetrain components and is being spun off through the Dana deal by Q1 2027, after which Eaton's entire revenue base sits in its two fastest-growing divisions.

Accelerating Growth Through Acquisitions: Eaton has been making strategic purchases to better align with power and thermal management. First, the acquisition of Boyd Thermal, announced in November 2025 and completed in March 2026 for approximately $9.5 billion directly addresses one of AI's central bottlenecks — liquid cooling. Boyd Thermal is an advanced thermal management and liquid cooling company projected to generate $1.7 billion in revenue in 2026, doubling year over year. Second, in January 2026 Eaton closed the acquisition of Ultra PCS for approximately $1.5 billion, a UK-based aerospace power management company. This deal deepens its power electronics capabilities for military and commercial aircraft.

Strategic AI Infrastructure Partnerships: Eaton also has a critical partnership with NVIDIA on the Beam Rubin DSX platform, embedding its power and cooling portfolio directly into NVIDIA's AI factory reference architecture. In practice, when a data center is built around NVIDIA's GPUs, it is also built around Eaton equipment by default. With NVIDIA working alongside over 20 major cloud operators to deploy its next GPU platform in 2027, Eaton is positioned as a preferred infrastructure supplier before construction decisions are made. Eaton is also developing its medium-voltage solid-state transformer program, a long-term bet on the data center industry's shift from AC to DC power. Commercial orders are guided for the second half of 2026.

Industry Overview

Shift to data centers: The Ai infrastructure buildout represents the largest capital expenditure cycle in tech history. Driven by large hyperscalers, with a projected 7.6 trillion dollars across compute, data centers, and power between 2026 and 2031 estimated by Goldman Sachs. Additionally, all major hyperscalers report that this buildout is supply-constrained. Hyperscalers are racing to supply compute, with some of the biggest bottlenecks being power delivery and liquid cooling. Unlike compute, grid infrastructure cannot be quickly expanded, with lead times for critical electrical equipment stretching up to four years and today many global data center projects face delays specifically due to power limitations. AI facilities compound this further, requiring an immense amount of power, up to hundreds of megawatts in a single location. In addition, AI racks consume 10 to 30 times more power per unit than traditional server racks requiring advanced liquid cooling. For industrial power and cooling suppliers, this buildout represents a generational demand opportunity with no visible near-term ceiling.

Grid modernization and electrification: U.S. electric utilities are projected to invest approximately $1.4 trillion in electricity infrastructure between 2025 and 2030, according to Morningstar DBRS. This represents a doubling of the amount invested over the previous decade. The current grid, built largely 50 to 70 years ago, is facing significant strain from data centers, EV adoption, and industrial electrification. Data center electricity demand alone is expected to double from 17 gigawatts in 2022 to 35 gigawatts by 2030. Modernizing this infrastructure requires switchgear, transformers, circuit breakers, and distribution equipment, products that Eaton specializes in.

Aerospace and defense spending tailwinds: Rising geopolitical tensions across Europe, the Middle East, and Asia have pushed defense spending to levels not seen in decades, triggering a broad surge across the aerospace and defense industry. In April 2026, the Trump administration proposed raising the US defense budget 42% to $1.5 trillion in fiscal year 2027. The largest proposed defense budget In American history, pending congressional approval. In addition, commercial aviation is also displaying strong demand with ACI World projecting global passenger traffic to reach 10.2 billion in 2026, up 3.9% year over year and projected to more than double by 2045. PwC’s 2026 aerospace outlook also cites record growth across commercial aviation, defense, and space simultaneously, a rare alignment of all three sub-sectors. The global commercial aircraft backlog has reached nearly 15,000 units with Boeing and Airbus both targeting double-digit delivery increases in 2026.

Peer Comparisons

Comparable Companies					
$mm					
Ticker	Mkt Cap	EV	P/E LTM	Revenue LTM	EBITDA LTM
Rockwell Automation (ROK)	$53,000	$55,100	44.3x	$8,570	$2,105
Hubbell (HUBB)	$26,000	$29,100	31.9x	$5,840	$1,455
Emerson Electric (EMR)	$84,490	$92,057	31.7x	$18,320	$5,140
Vertiv (VRT)	$118,000	$119,500	65.0x	$10,200	$2,400
Eaton Corporation (ETN)	$163,000	$184,082	39.9x	$28,522	$6,600

Ticker	LTM EV/EBITDA	Gross Margin	EBITDA Margin	EBIT Margin	1 Yr Rev Growth Rate LF
Rockwell Automation (ROK)	26.2x	42.0%	24.6%	21.0%	8.0%
Hubbell (HUBB)	20.0x	35.0%	24.9%	20.7%	7.0%
Emerson Electric (EMR)	17.9x	51.0%	28.1%	18.0%	4.0%
Vertiv (VRT)	49.8x	35.0%	23.5%	20.0%	28.0%
Eaton Corporation (ETN)	27.9x	38.0%	23.1%	19.5%	10.0%
High	49.79x	51.0%	28.1%	21.0%	28.0%
75th Percentile	27.89x	42.0%	24.9%	20.7%	10.0%
Average	28.35x	40.2%	24.8%	19.8%	11.4%
Median	26.18x	38.0%	24.6%	20.0%	8.0%
25th Percentile	20.00x	35.0%	23.5%	19.5%	7.0%
Low	17.91x	35.0%	23.1%	18.0%	4.0%

Eaton Corporation (ETN) Valuation		
Implied Enterprise Value (25th Percentile)	$	132,000
Implied Enterprise Value (Median)	**$**	**172,760**
Implied Enterprise Value (75th Percentile)	$	184,082
Implied Share Price (25th Percentile)	$	285.65
Implied Share Price (Median)	**$**	**390.62**
Implied Share Price (75th Percentile)	$	419.78

Source: (Source – S&P Capital IQ)

Investment Theses

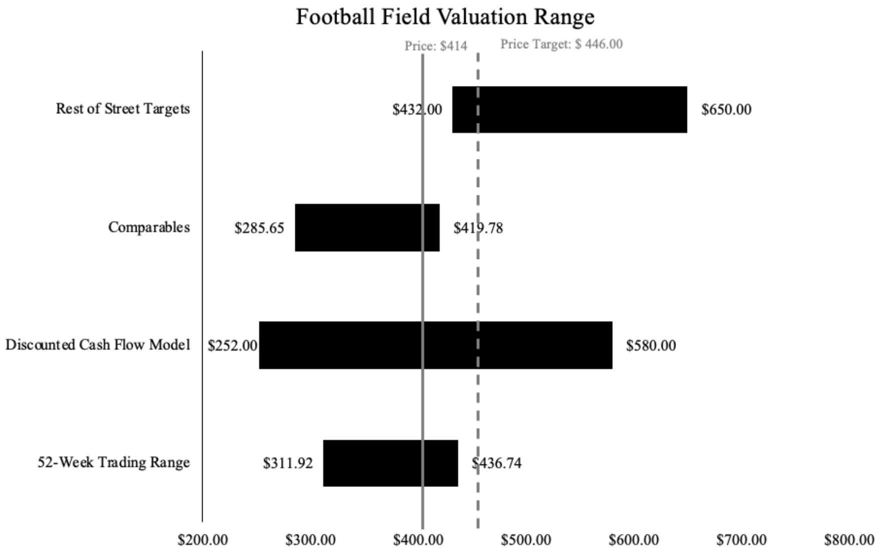
AI Data Center Demand Fuels Growth: Eaton is well positioned to capitalize on growing AI data center demand, backed by a record $22.8 billion total backlog as of March 31, 2026, with Electrical sector backlog up 48% year over year. Roughly 68% of that backlog is targeted for delivery within the next twelve months. Data center orders surged 240% year over year in Q1 2026, and a book-to-bill ratio of 1.2x confirms the backlog continues to expand. Eaton's negotiations pipeline jumped 81% year over year, suggesting growth has not yet peaked. During the Q1 2026 earnings call, CEO Paulo Ruiz noted that 32 gigawatts of US data center capacity is currently under construction, of which 70% is AI-related. He separately noted total data center backlog has grown to 228 gigawatts, or 12 years of backlog at 2025 build rates, up from 11 years one quarter prior. The November 2025 acquisition of Boyd Thermal for approximately $9.5 billion further extends this opportunity, integrating liquid cooling into Eaton's portfolio and allowing it to offer both power and cooling under one roof.

Catalysts for Multiple Expansion: Beyond the core demand story, two additional factors support a higher valuation than the market is currently pricing. The first is the pending spin-off of the Mobility business through the Dana Reverse Morris Trust transaction, expected to close by Q1 2027. By shedding its oldest and most cyclical business, Eaton emerges as a pure-play electrical and aerospace company. At current levels Eaton trades at roughly 31x forward earnings, a significant discount to pure-play data center infrastructure peers like Vertiv, which trades at approximately 45-50x. Without any change in earnings, the spin-off alone could close a significant portion of that valuation gap by removing the segment dragging down the multiple. The second factor is Eaton's MVSST program, a longer-term option the market has not yet priced. With nearly 10 hyperscaler pilots running and commercial orders guided for H2 2026, MVSST is less about near-term revenue and more about embedding Eaton into the next generation 800V DC power standard. Confirmed orders would also pull through higher-margin switchgear and distribution equipment across the broader electrical portfolio. Confirmation on the August 4 earnings call would be a meaningful positive signal.

Diversified Growth Drivers: What makes the ETN thesis particularly durable is that it does not depend on a single demand driver. Unlike pure-play peers such as Vertiv, Eaton is not solely dependent on hyperscaler spending. Analyst estimates suggest data centers represent roughly M-30% of Eaton's total revenue, compared to approximately 70-80% for Vertiv. Eaton’s remaining business is spread across utilities, industrial customers, commercial buildings, and aerospace, providing meaningful insulation from any single demand cycle. Grid modernization alone represents $1.3 trillion in committed US utility spending between 2026 and 2030, driven by regulatory obligations rather than discretionary capex decisions. On the aerospace side, a commercial aircraft backlog of nearly 15,000 units and a defense backlog grown over 50% in three years generate multi-year contracted demand entirely independent of economic conditions. Eaton's aerospace aftermarket business adds a further layer of durability, generating recurring service revenue across the 30-to-40-year lifecycle of every platform it has supplied. Together these demand drivers mean that even in a scenario where AI infrastructure spending slows meaningfully, Eaton's core businesses continue compounding. The downside is far more protected than a pure-play AI infrastructure company.

Price Target & Valuation

Our analysis gives ($ETN) a price target of $446.00 and an Overweight rating.



Potential Downsides to Our Rating

AI Infrastructure Spending Slowdown: The most significant risk to the ETN thesis is a slowdown in AI infrastructure spending triggering a re-classification of Eaton back toward industrial sector multiples. While Eaton trades at a discount to pure-play data center peers like Vertiv at 45-50x forward earnings, it carries a significant premium to the industrial sector median of approximately 21x. A shift in AI sentiment could push the market to reprice Eaton as a traditional industrial rather than an infrastructure company, compressing the multiple from 31x back toward 21x. The stock fell as much as 8.1% intraday on May 5 despite beating both revenue and EPS estimates, demonstrating how sensitive the multiple is to any guidance disappointment. While the $19.6 billion backlog provides a 12 to 36 month buffer before a demand slowdown reaches reported revenue, it offers no protection against immediate multiple compression. If Eaton loses its AI infrastructure premium and trades back in line with industrial peers at approximately 21x forward earnings, the stock could fall 30-35% even if earnings continue to grow.

Margin Pressure from Expansion: A second near-term risk already showing up in Eaton's financials is margin compression from simultaneously integrating acquisitions and scaling manufacturing. Eaton closed approximately $11 billion in acquisitions in Q1 2026 alone, including Boyd Thermal and Ultra PCS, while simultaneously expanding manufacturing capacity across 24 facilities. The result is already visible in guidance, with full year total company segment margins reduced by 50 basis points to 24.1-24.5%, and Q1 adjusted margins of 22.7% reflecting the near-term cost pressure from capacity

Our Price Target: $446.00

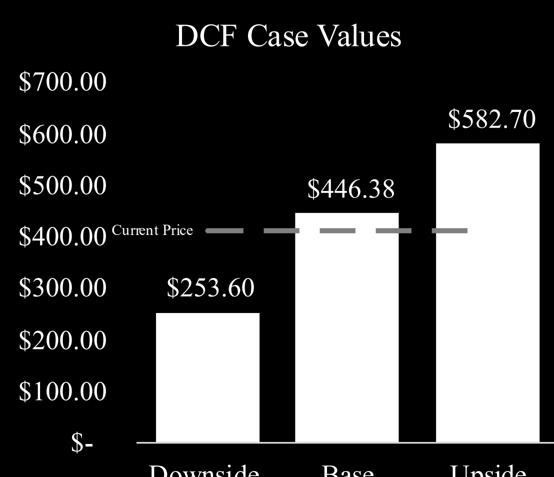
Our price target is based on continued AI data center demand converting Eaton's record $22.8 billion backlog into revenue and successful integration of Boyd Thermal strengthens Eaton’s liquid cooling offering across hyperscaler facilities. We also assume gradual margin recovery from 22.7% toward 23.5% as acquisition integration normalizes and manufacturing capacity comes fully online. Completion of the Mobility spin-off by Q1 2027 is expected to close the valuation gap between Eaton's current 31x forward earnings and pure-play infrastructure peers.

Our Upside Case: $582.00

Our upside case assumes accelerating AI infrastructure demand beyond current projections driven by NVIDIA's Rubin Ultra GPU platform deployment in 2027 and MVSST commercial orders confirmed in H2 2026 signaling Eaton's embedding into the next-generation 800V DC power standard. It also assumes Boyd Thermal revenue exceeding its $1.7 billion target as liquid cooling adoption accelerates faster than expected, and the Mobility spin-off triggering a meaningful re-rating toward the 40-45x multiples commanded by pure-play data center infrastructure peers.

Our Downside Case: $253.00

Our downside case assumes a slowdown in hyperscaler capital expenditure causing new order growth to decelerate and the market to re-classify Eaton from an infrastructure company back toward industrial sector multiples of approximately 21x forward earnings. It also assumes margin recovery takes longer than management guides due to acquisition integration challenges.



ramp and acquisition integration. Management confirmed Boyd Thermal will be EPS dilutive in the near term, framing the broader margin pressure as temporary and citing pricing actions as the primary offset. The deeper risk is timing. New facilities including the Nebraska switchgear plant are not fully operational until 2027, meaning Eaton is absorbing elevated fixed costs today against revenue that has not yet ramped. The question for investors is not whether margins recover, but how long that recovery takes.

Mobility Spin-Off Execution: A third risk that directly threatens the investment thesis is execution uncertainty around the Mobility spin-off. Announced on June 11, 2026, the transaction has not yet cleared any regulatory, tax, or structural hurdles required to close. Structured as a Reverse Morris Trust, it requires simultaneous SEC approval, IRS tax-free qualification, and merger with Dana Incorporated by Q1 2027. To maintain tax-free status, Eaton shareholders must receive at least 50.1% of the combined entity and neither party can enter a subsequent acquisition before closing. Any breach could trigger a significant tax liability on a transaction valued at over $10 billion. Beyond the structural complexity, Dana is a significantly smaller counterparty actively undergoing its own restructuring, creating execution dependency on a business in transition. If the transaction is delayed or fails, the re-rating catalyst central to the valuation argument in this report disappears. Eaton could be left priced as a conglomerate rather than the pure-play electrical and aerospace company that commands a premium multiple

Projections

Income Statement ($mm)	2025A	2026E	2027E	2028E	2029E	CAGR%
Revenue	30,193	32,910	35,543	38,031	40,313	10.1%
EBITDA	5,824	6,944	7,569	8,175	8,747	14.5%
EBIT	5,304	6,340	6,911	7,464	7,987	14.6%
NOPAT	4,463	5,326	5,805	6,270	6,709	14.6%

Margin & Growth Data	2025A	2026E	2027E	2028E	2029E	AVG%
EBITDA Margin	19.3%	21.1%	21.3%	21.5%	21.7%	21.9%
EBIT Margin	17.6%	19.3%	19.4%	19.6%	19.8%	20.0%
Revenue Growth	10.0%	9.0%	8.0%	7.0%	6.0%	5.0%
EBIT Growth	13.5%	19.5%	9.0%	8.0%	7.0%	11.4%

Valuation Metrics	2025A	2026E	2027E	2028E	2029E	AVG%
P/FCF	49.0x	33.8x	31.0x	28.3x	26.1x	33.6x
EV/Sales	6.0x	5.5x	5.1x	4.8x	4.5x	4.3x
EV/EBITDA	31.3x	26.3x	24.1x	22.3x	20.9x	25.0x
FCF Yield	2.0%	3.0%	3.2%	3.5%	3.8%	3.1%

About $ETN

Eaton Corporation (NYSE: ETN), founded in 1911, is a global power management company that supplies critical electrical infrastructure products, including switchgear, circuit breakers, transformers, uninterruptible power supplies, and liquid cooling systems, as well as aerospace power and fuel management systems. The company operates in more than 160 countries and is strategically positioned to benefit from AI data center expansion, grid modernization, and aerospace growth. Following the planned Mobility spin-off, Eaton will become a more focused electrical and aerospace company.

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

Discounted Cash Flow

Active Case:	**2 Base**
Current Share Price	$414.06

DCF Analysis ($mm)	FY2021 12/31/2021	FY2022 12/31/2022	FY2023 12/31/2023	FY2024 12/31/2024	FY2025 12/31/2025	FY2026 12/31/2026	FY2027 12/31/2027	FY2028 12/30/2028	FY2029 12/30/2029	FY2030 12/30/2030	FY2031 12/31/2031
Stub						1.51	2.51	3.51	4.51	5.51	6.51
Discount Period						(0.26)	(0.01)	0.99	1.99	2.99	3.99
Revenue	19,628	20,752	23,196	24,878	27,448	30,193	32,910	35,543	38,031	40,313	42,328
Revenue Growth		*6%*	*12%*	*7%*	*10%*	*10%*	*9%*	*8%*	*7%*	*6%*	*5%*
Revenue	19,628	20,752	23,196	24,878	27,448	30,193	32,910	35,543	38,031	40,313	42,328
EBIT	2,507	3,028	3,933	4,673	5,304	6,340	6,911	7,464	7,987	8,466	8,889
EBIT Margin	*13%*	*15%*	*17%*	*19%*	*19%*	*21%*	*21%*	*21%*	*21%*	*21%*	*21%*
Tax Expense	750	445	604	768	841	1,014	1,106	1,194	1,278	1,355	1,422
Effective Tax Rate	*30%*	*15%*	*15%*	*16%*	*16%*	*16%*	*16%*	*16%*	*16%*	*16%*	*16%*
NOPAT	1,757.00	2,583.00	3,329.00	3,905.00	4,463.00	5,326.01	5,805.35	6,269.78	6,708.66	7,111.18	7,466.74
D&A	478	455	476	496	520	604	658	711	761	806	847
Capex	575	598	757	808	919	1,147	1,251	1,280	1,293	1,290	1,270
Changes in NWC	(1,780)	715	187	222	770	0	0	0	0	0	0
UFCF	3,440	1,725	2,861	3,371	3,294	4,783	5,213	5,701	6,176	6,627	7,043
PV of FCF						4,890	5,219	5,234	5,199	5,116	4,986

Weighted Average Cost of Capital ($mm)	
Market Risk Premium	4.33%
Beta	1.18
Risk Free Rate	4.49%
Cost of Equity	8.62%
Weighted Average Cost of Debt	5.10%
Tax Rate	18.50%
Cost of Debt	0.43%
Total Equity	$160,931
Total Debt	$21,082
Equity/Total Capitalization	89.67%
Debt/Total Capitalization	10.33%
WACC	9.05%

Terminal Value Perpetuity Growth Method	
2034 FCF	$7,043
Growth	3.00%
Terminal Value	$116,440
PV of Terminal Value	$82,429
PV of Projection Period	$30,644
PV of Terminal Value	$82,429
Implied TEV	$113,072
(-) Debt	$21,833
(+) Cash	$751
Implied Equity Value	$91,990
Basic Shares Outstanding	388
Implied Share Price	$236.91
Upside/Downside	-42.78%

Implied Exit BF EV/EBIT	12.7x

Terminal Value Exit Multiple Method	
2034 EBIT	$8,889
EV/EBIT Exit Multiple	26.0x
Terminal Value	$231,113
PV of Terminal Value	$163,607
PV of Projection Period	$30,644
PV of Terminal Value	$163,607
Implied TEV	$194,251
(-) Debt	$21,833
(+) Cash	$751
Implied Equity Value	$173,169
Diluted Shares Outstanding	388
Implied Share Price	$445.97
Upside/Downside	7.7%

Implied PGR	4.5%

Blended Share Price	
Perpetutity Growth Method	0%
Exit Multiple Method	100%
Blended Share Price	$445.97
Upside/Downside	7.71%