



corbin

Sector Spotlight:

Electrical Equipment and Components

Premium Valuation Drivers and
How to Capture Investor Mindshare

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Achieving a premium valuation in the Electrical Equipment and Components sector is multifaceted, impacted by a range of interconnected factors. The industry is shaped by exposures to both secular themes and cyclical dynamics, and sustained outperformance requires strategic end-market positioning, resilient through-cycle execution, ongoing innovation, disciplined capital allocation, and strong investor communications. However, there are defining characteristics shared by premium outperformers.

Our **Sector Spotlight: Electrical Equipment and Components** evaluates 35 publicly traded companies selected from electrical equipment and power systems, machinery manufacturing (HVAC, automation, and diversified industrials), and electronic components. In this publication, we identify the factors that lead to perceived “premium status” among investors and recommend messaging strategies to help maximize valuation and differentiate the investment case — all with the intent of instilling greater investor confidence in your company’s quality, potential, and earnings power over cycles.

Insights from **125 institutional investors and analysts** across Corbin Voice of Investor[®] Perception Studies, whose firms collectively represent more than \$10 trillion in equity assets under management, are incorporated to highlight key investment considerations and distinguish companies that have sustained premium multiples.

Sector Spotlight: Electrical Equipment and Components

Electrification is occurring across multiple consumer and industrial end markets. This, along with the soaring power needs of data centers and related AI boom, has pushed many Electrical Equipment and Components stocks to all-time highs.

Indeed, electricity consumption in the U.S. has grown for five consecutive years. This has happened after remaining relatively flat from 2005–2020. Looking ahead, global electricity demand is projected to rise by an average of 3.6% annually between 2026 and 2030, according to the International Energy Agency, putting strain on electric grids.

According to McKinsey, global spending on data centers could hit \$7 trillion by 2030. And in Vertiv Holdings' 2025 annual report, management projected that the data-center market will grow at a 10–13% CAGR over the next five years, with the cloud and colocation segment surging 15–17%.

Despite the varied exposures to the electrification upcycle, investors will often lump companies together. Clearly articulating your place in the ecosystem, including your unique strengths and how you are positioned to win, is essential to securing investor mindshare.

At the highest level, we classified the sector into five categories: Electricals, Power Generation, Climate Technologies, Connectivity Solutions, and Automation. Note that some companies operate in several of these spheres.

Electricals embody the largest cohort of U.S.-domiciled companies and valuation leaders. However, the Electrical Equipment and Components space covers a wide array of businesses, and each subset has outperformers within their respective peer group.

1 Electricals

Electricals consists of the most diverse set of businesses. These companies provide critical electrical products and applications for utility, communication, industrial, commercial, residential, aerospace, and mobility markets, in addition to others. Differentiation is led by where these companies choose to participate and have a right to win.

2 Power Generation

Power-generation companies manufacture equipment and provide services for producing, transmitting, distributing, and storing electricity. These products make up the crucial backbone of the power industry. Customers include utilities, independent power producers, and other industrial and commercial users. Demand is being fueled by megatrends, including ever-increasing electricity needs from hyperscalers (large tech companies), decarbonization, and aging infrastructure. The industry generally has large backlogs and long cycles.

3 Climate Technologies

HVAC is a vital part of electrification. According to the U.S. Energy Information Administration, HVAC systems account for some 50% of power consumption in commercial buildings. Increasingly stringent regulations globally around energy efficiency and indoor-air quality, combined with an aging installed base, have also helped to underpin growth. As a result, commercial-related demand has been broad-based, whereas data centers are driving incremental gains.

4 Connectivity Solutions

Connectivity companies design and manufacture essential electrical components, such as connectors, sensors, and fuses. These products are sold into myriad end markets, with notable exposures being transportation (primarily automotive), industrial, and electronics. Although data centers account for a smaller percentage of overall revenue, this area continues to be a source of upside for the industry.

5 Automation

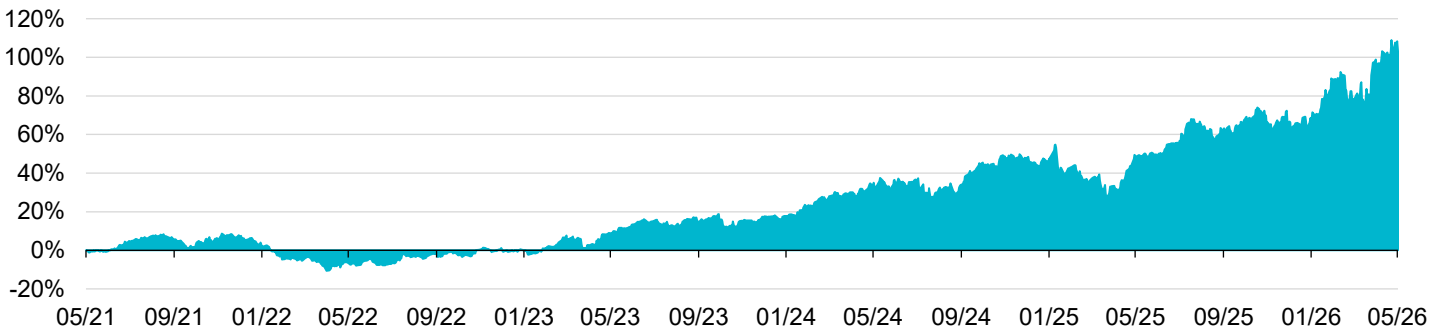
Automation uses a combination of hardware and software solutions that address efficiency needs, manufacturing labor shortages, capacity utilization, and recent reshoring considerations, among others. Growth is powered by capital spending and is highly correlated with industrial production. Demand is mostly secular, and large backlogs offer good visibility, but orders can be lumpy at times.

Achieving a Premium Valuation in a Diverse Sector

Electrical Equipment and Components have historically shown various short-, medium-, and long-cycle exposures, and a strong correlation with industrial markets can cause variability in both revenue and profitability. Companies with a proven track record for quickly flexing expenses during upturns and downturns have, by and large, been rewarded for this.

Owing to today’s prevailing secular drivers, such as electrification, AI, and industrial automation, many stocks in the space trade at higher-than-average valuations, some by several standard deviations. Meanwhile, those companies that are more tied to residential areas are still navigating a challenging environment.

Relative Return: Electrical Equipment and Components vs. S&P 1500 Equal Weighted Index



Source: FactSet

Valuations across the sector have normally been tied to the stage of the industrial cycle and demand expectations across end markets.

The Electrical Equipment and Components industries have a large number of outperformers — what sets these companies apart?

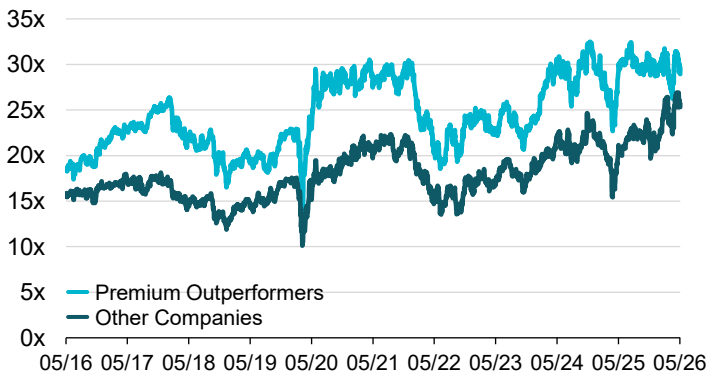
Our research of 35 publicly traded companies, primarily drawn from the S&P 1500 Industrials and Technology sectors, identified **6 companies**¹ — denoted the “**Premium Outperformers**” — that have sustained above-average valuations over the past decade. We also accounted for recency bias and portfolio transformations.

The group has consistently commanded premium valuation multiples on both a forward P/E and an EV/EBITDA basis. Even though Electricals make up the largest portion of the analysis, the Premium Outperformers span market caps and include members from four of the defined categories.

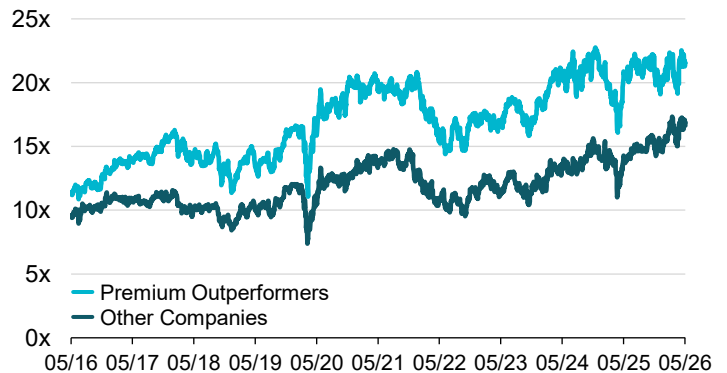
To understand why these companies typically garner higher valuations, we analyzed Corbin’s Voice of Investor® interviews with investors and the communications of Premium Outperformers.

Keep in mind that it is a journey and not a destination. While a handful of companies have been able to reach and maintain high valuations, continuing to deliver strong shareholder returns can prove even more difficult.

Median NTM P/E



Median NTM EV/EBITDA



Source: FactSet

1) The analysis includes companies in the S&P 1500 Electrical Equipment and Components subsector and several European-based peers (35 constituents). Premium Outperformers comprise the following: AAON, AMETEK, Amphenol, Eaton, Rockwell Automation, and Trane Technologies.

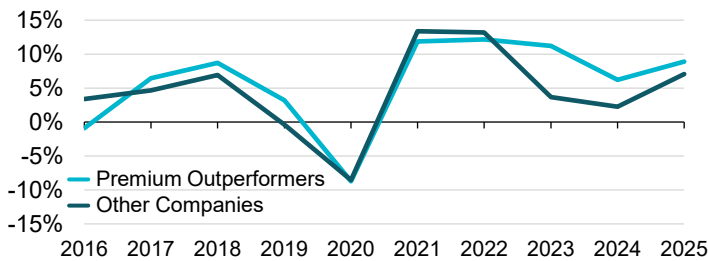
Defining Characteristics of Premium Outperformers

Fundamentally, sector multiples are driven by revenue growth, profitability, and ROIC. Investors also place significant weight on free cash flow generation and disciplined capital allocation. For Electrical Equipment and Components companies, industry leadership, favorable and balanced end-market mix, good visibility, and recurring aftermarket revenue can be particularly valuable. Unsurprisingly, Premium Outperformers often stand out on above-peer revenue growth and consistently higher margins across cycles.

It is not solely about absolute performance but rather demonstrating lasting through-cycle earnings power. Equally important is a knack to shape the narrative by proactively communicating strategic positioning, technology differentiation, and actions taken to manage volatility. Without clear and consistent messaging, many of these strengths remain underappreciated, according to our research, especially by generalist investors.

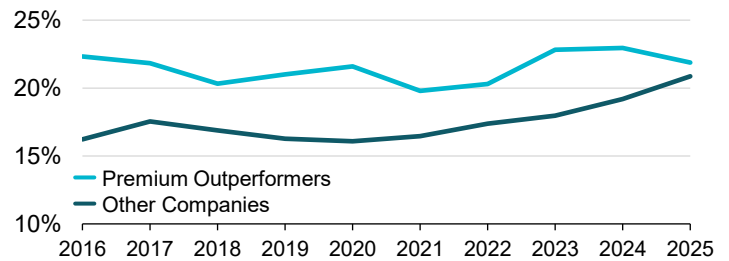
We identified five characteristics of top performers that have led to sustained above-average valuations.

Median Revenue Growth (YoY)



Source: FactSet

Median EBITDA Margin



Source: FactSet

1 Management Quality

Premier companies distinguish themselves by having a well-defined long-term strategic vision. Other central factors include a strong culture and operating model focused on continuous improvement with buy-in from employees, and management teams with a say-do mentality, who consistently meet or exceed Street expectations. These aspects, which are not simple to duplicate, are hallmarks of companies awarded with higher valuations.

2 Predictable Growth Profile and Strong Execution

Premium Outperformers gain from revenue models that provide visibility and resilience across cycles. Notable competitive advantages — end-market exposures, unique products, sticky customer bases, entrenched distribution channels — can offer economic moats that are not easily replicable. Another prominent feature, which can be industry specific, is a high portion of recurring aftermarket sales. These factors usually drive above-average, or improving, growth and profitability, leading to enduring earnings power.

3 Secular Growth Exposure and Megatrend Tailwinds

With meaningful secular drivers, including AI, transportation electrification, and industrial automation, these companies are viewed as benefiting from expanding addressable markets and more sustainable upward trajectories. Connections to these themes enhance growth prospects and the ability to preserve momentum through cycles.

4 Capital Discipline

Companies with premium valuations are recognized for disciplined capital allocation and strong balance sheets. They typically reinvest back into their businesses through targeted R&D, while enhancing returns with strategic acquisitions, portfolio pruning, and buybacks or dividends. Managing volatility and delivering consistently high ROIC can help support premium multiples.

5 Differentiated Investor Communications

Though not all excel in this area, many leverage investor communications to simplify complex stories, underscore leadership and durable growth, and highlight actions to bolster resilience.

Investor Commentary: Key Investment Factors and Premium Valuation Drivers

“Companies getting premium valuations have great conversion of FCF from earnings, a good M&A engine, and are more diversified in above-average growth areas with pricing power, which is very important. Their management team is trusted, honest, and equally open about problems, opportunities, and good things going on in the portfolio.”
Portfolio Manager, \$10B EAUM

“Being product-led is the secret to their success. These companies are positioned well in high-growth segments, while extended backlogs and service offerings have given them margin power. Fundamentally, we like grid technologies, power generation, and, on the basis of the same theme, electrification. They also have strong market-based communication, and I have confidence around their medium- and long-term growth.” *Sell-Side Analyst*

“Regarding what positively differentiates compounders that results in premium valuations, it is almost entirely that they do capital allocation well and appropriately recycle cash back into M&A, so they give you an extra kicker. Maybe some are better than others at growing cycle over cycle, but M&A is a differentiator.” *Security Analyst, \$3T EAUM*

“For companies that I believe are best-in-class, the positive differentiator is their ability to find ROIC-accretive (or neutral) acquisitions that meet a 10% ROIC threshold by year three, while also incrementally improving the quality of the portfolio in terms of growth and margins.” *Security Analyst, \$882B EAUM*

“It is one of the leading names in the Industrials sector. The company has a history of hitting stated objectives. It generates strong margins, maintains a consistent methodology around capital allocation, and has high returns on invested capital. These positives distinguish it and a few other companies from the rest, resulting in premium valuations.” *Security Analyst, \$66B EAUM*

“Not only does management have a good vision, but they articulate it and execute it incredibly well. Every company wants to be them. It is a complicated business, but investors fundamentally understand it and have a lot of confidence in the overarching strategy.” *Sell-Side Analyst*

“The company has historically been a good cash generator. And the fact that they have generally good FCF conversion makes us more willing to put a higher multiple on the stock on an earnings basis because the quality is better.” *Security Analyst, \$882B EAUM*

“What differentiates these companies is the stability of their businesses. Even though a couple of them are cyclical, it is the steadiness of knowing that the management teams will execute well, even in bad end-market environments. Meaning, they will outperform their peers organically and do a good job of protecting margins. They also have reliable capital-allocation strategies and are great at implementing them.” *Security Analyst, \$72B EAUM*

“The most compelling factor for investing in the company is its technological advantages in precision-power conversion and measurement and types of solutions that lead to sole-sourced design wins. In terms of the investment thesis, they should grow faster than the overall market because of that, particularly in upcycles. The company enjoys good diversification benefits from its less cyclical, more defensive markets and has an opportunity to expand gross and operating margins, leading to accelerating EPS growth.” *Security Analyst, \$329B EAUM*

“Best-in-class companies have consistently had strong capital allocation over time and manage organic operations such that margins are stable and expanding, largely because of pricing power.” *Security Analyst, \$882B EAUM*

“There is market outgrowth, driven by design wins in electrification and electronification. They participate in many different growth vectors and high-growth sectors because of what they do in terms of circuit protection and power management. We like their strong organic growth and margin structure, high FCF conversion, and clean balance sheet. Moreover, management has a good acquisition track record. It checks a lot of the boxes of what we like.” *Security Analyst, \$34B EAUM*

“To get a higher multiple, companies need to expand gross and, therefore, operating margins and grow defensive, Steady-Eddie markets. Investors will value the stock higher if it proves it is not purely cyclical.” *Security Analyst, \$329B EAUM*

“The stronger they execute, the more comfortable folks can be with the out-year improvement, and the lower the implied multiple would be at the current share price, which would then support upside. In addition, if that execution and shareholder return yields start to really improve, then you have the opportunity for multiple expansion as well.” *Sell-Side Analyst*

Premium Outperformers Archetypes

While the Premium Outperformers share five defining features, not all companies are created equal. In our research, they tend to fall into **four primary archetypes** (sometimes overlapping) that differentiate them from peers in the eyes of investors. This is important in the context of portfolio construction, where generalists often look to identify superior companies within the sector or select the strongest names associated with key themes.

Investors are ultimately looking for quality, as well as potential. Thus, your company does not need to be the industry leader or participate in a structurally less cyclical segment to move toward premier status. Although some Premium Outperformers compete in areas like infrastructure build-out (e.g., power generation and grid investments), which benefits from long product cycles and recently steady demand, others — including automation — operate in unpredictable markets, yet still command lofty valuations because of secular growth exposure, technological leadership, and solid execution.

It is how you evolve to close competitive gaps, maximize opportunities, and drive sustainable earnings power. What we encourage you to take from these archetypes are the developing or emerging characteristics that make your company better positioned for the future.

1 Compounders

In contrast to the past several decades, investors have lately preferred multi-industrial companies' unlocking value through divestitures and spinoffs to become more pure-play businesses over M&A compounders. High seller multiples and elevated interest rates have also been factors.

AMETEK is one company that has bucked this trend. This is due to several reasons, including AMETEK's focus on smaller deals that augment its portfolio versus large transactions, while emphasizing returns, reducing its ties to cyclical areas, and never taking a write-down on an acquisition. The company's M&A approach has made it considered as one of the highest-quality industrials.

2 Portfolio Transformations

Many companies that have gone through, or have been part of, portfolio makeovers have earned higher valuation multiples. Prime examples in our Sector Spotlight comprise **Eaton, GE Vernova, Modine Manufacturing, nVent Electric, Siemens Energy, and Trane Technologies.**

Among the Premium Outperformers, Eaton has transitioned from a cyclical machinery company to one with more than 70% of its sales tied to electrical markets. Trane became a pure-play HVAC company in early 2020 after spinning off its Ingersoll Rand Industrial segment, which merged with Gardner Denver. For Modine, transportation was historically its largest business, but the company has been shifting its revenue mix toward HVAC. Elsewhere, nVent, Siemens Energy, and GE Vernova all went public through spinoffs in 2018, 2020, and 2024, respectively, and have witnessed significant outperformance and valuation expansion over the past several years.

3 Resilient Through-Cycle EBITDA Margins

Scale and cost management allow certain companies to achieve structurally higher margins and resilience, supporting premium valuations. By leveraging efficient manufacturing, along with favorable end-market mix, innovation, and disciplined capital allocation, these companies deliver robust returns through cycles.

AMETEK and **Amphenol** both exemplify this model, underscored by adjusted EBITDA margins above 30% in 2025. Synergistic acquisitions and returning cash to shareholders through dividends and buybacks, while keeping a conservative balance sheet, further reinforces confidence. **Emerson Electric** and **Honeywell**, the latter of which has been in the process of splitting into separate publicly traded companies, are also notable for consistently maintaining high levels of profitability over the past decade.

4 Secular Advantages

Many names included in our analysis have businesses that are being energized by secular tailwinds and megatrends around power infrastructure and related mission-critical applications. Companies tethered to these areas are less at the mercy of short-term cyclical swings in the near term and have attained higher valuations.

Forgent Power Solutions derived over 40% of its revenue from data centers in 2025; for **Vertiv**, it was roughly two-thirds of sales. Other HVAC names, such as **Modine**, have benefited as well. And **GE Vernova** and **Siemens Energy** (power generation), along with **Advanced Energy Industries, EnerSys, nVent, and Powell Industries** (multi-voltage electrical equipment), which have meaningful links to data centers and industrial and commercial markets, have ridden the wave of investor enthusiasm.

Overcoming Investor Hurdles and “Democratizing” the Investment Story

Given the unique communication challenges faced by any sector, we drew on our database of interviews with investors and analysts to identify actionable communication insights. These perspectives highlight how management teams can strengthen their investment thesis and clearly differentiate their companies to win investor mindshare.

We also lay out how companies are framing the AI and data center narrative with select company commentary that showcases both the potential and where their businesses participate, while also balancing investor excitement via the advantages of having balanced portfolios.

Communication Strategies for Appealing to Generalist Investors

“I am a hyper-generalist. **What positively differentiates companies are track record, business quality in terms of the competitive moat and growth outlook, FCF conversion, and proven capital allocation abilities.**” *Portfolio Manager, \$23B EAUM*

“**The company could improve on simplifying the story and technology.** Most of the people it deals with are more specialists in nature. We are generalists. Management is very clear on the business story and strategy. But when we start talking about what the products do and how they work, it gets technical very quickly.” *Portfolio Manager, \$835M EAUM*

“The communication of the company has been good. From the beginning, one of the positives has been the level of honesty and transparency. There is a tendency toward too much detail in the earnings slides and the earnings calls. **Details are important, but understanding the big picture and the high level can be more valuable.**” *Sell-Side Analyst*

“The types of businesses they are in are high enough quality. **To maximize the valuation, though, the company must get investors to the point of having as high a conviction in the subsegments as the operating and management teams do.**” *Security Analyst, \$329B EAUM*

“**Its aspirational targets require more clarification.** What do growth rates need to be in its markets for them to achieve their sales objective? Can they dig down at the segment level? And what is driving management’s confidence in their near-term goal for gross margins? **Better framing of these items would help investors.**” *Security Analyst, \$95B EAUM*

Framing the Narrative Around AI and Data Centers

“We speak a lot about the data part of AI data centers. **But I think we should also talk about the power part of data centers.** We approach that with the broadest array of power interconnect, and we are situated there as their core partner. **However, we continue to see great opportunities across the board.**” *Company Commentary*

“Data centers are going to high voltage. Estimates are that demand is going to double over the next five years. **These are great market tailwinds for us.** We are a key part of the ecosystem. **We have a unique and differentiated portfolio.** We are the only company that has a complete portfolio across protection and power solutions.” *Company Commentary*

“**In our existing backlog from data centers, it’s 10–15%. So, it is not that substantial of our existing backlog.** Today is a great market for all forms of power generation.” *Company Commentary*

“Infrastructure is now over 40% of our portfolio, with data centers and power utilities about half and half of that 40%. **Thus, we now have a nice balance between short and long cycle.** It is a real portfolio transformation that has positioned the business for accelerated growth.” *Company Commentary*

“**In the context of the market, everything with an industrial metal-bending flavor, if there is not a direct AI story, is going to suffer depressed valuations.** It feels a little like 1999 going into early 2000. In those days, there was the new economy and the old economy that people would talk about. A year later, the tech sector crashed.” *Sell-Side Analyst*

THE *Big* SO WHAT[®]

With investors focused on the recent outperformance and future potential of the Electrical Equipment and Components sector, companies have an opportunity to control their narratives and leverage strategic investor communications to rise above the pack. For those seeking to expand valuation, we offer some key considerations to enhance confidence in your long-term investment merits, as every quarter of a turn in multiple expansion can create significant shareholder value:

- **Make the investment case accessible to generalist investors** — avoid overly complex discussions and break down the investment thesis into simple, compelling themes
- **Describe your ability to deliver strong normalized earnings through a cycle**, what the potential is, and why investors should be confident it will be different than in previous environments
- **Outline efforts to drive more resilient margins** to offset cyclical or volatility in earnings, including business mix, strategic or operational initiatives, and, if applicable, recurring or aftermarket revenue
- **Balance messaging to reinforce durability** of the business and other compelling parts of the portfolio, as appropriate, if you are hesitant to be deemed a data center-only company
- **Demonstrate how you are situated to win or close the gap with peers**, such as emphasizing relative positioning
- **Highlight sustainable advantages that might not yet be entirely appreciated** or fully reflected in valuation

Wherever you currently sit on your journey, it is critical to start with a well-defined, differentiated investment thesis — the case for why to invest — while underpinning confidence in the **Corbin Critical Five** investment factors, a distinguished group of measures cited as most important by institutional investors beyond quantitative screening when determining to allocate capital:

Management Quality	<ul style="list-style-type: none"> • Position leadership as cycle-tested with a strong operating culture, providing proof points on successful navigation across industry cycles, technological shifts, and supply-chain and geopolitical disruptions
Long-Term Strategy	<ul style="list-style-type: none"> • Keep investors anchored on long-term vision, emphasizing any strategic shifts, accelerating initiatives (e.g., R&D investments and new product introductions, supply-chain localization) that strengthen competitive positioning • Connect long-term vision to tangible outcomes — greater growth and earnings resilience, diversified end-market exposures, and innovation and new product introductions (pricing power)
Execution Track Record	<ul style="list-style-type: none"> • Showcase operational and financial strength, such as cost efficiency, disciplined capital allocation, supply-chain and geopolitical risk management • Demonstrate consistency through cycles by outlining how you deliver outgrowth and superior returns (e.g., durable business model, flexible cost structure, pricing power) in both upturns and downturns
Sustainable Competitive Advantages	<ul style="list-style-type: none"> • Communicate what sets your company apart — scale, end-market exposures, customer relationships, distribution channels, or innovation • Highlight sustainability initiatives and supply-chain resilience, as appropriate, given investors' focus on trade policy and geopolitical risks
Capital Allocation	<ul style="list-style-type: none"> • Clearly articulate your capital-deployment strategy, detailing balance between internal investments (R&D, capacity expansion) to stay ahead of the competition, M&A, and shareholder returns (buybacks, dividends)



Let Corbin help you cut through the noise and develop a differentiated investment thesis that serves to educate and capture investor mindshare.



Contact us today:

<https://www.corbinadvisors.com/contact/>

About Corbin Advisors

Corbin Advisors is a strategic investor relations and investor communications advisory firm with a track record of supporting our publicly traded clients in creating sustained shareholder value.

Our approach leverages decades of Voice of Investor® (VOI) research and data-driven insights; capital markets expertise and deep best practice knowledge; and a proven playbook and passion for client outperformance. We are a trusted advisor and partner to boards of directors, executive leaders, and investor-relations professionals, serving a broad range of companies globally across sectors, sizes, and situations. Through defining the standard of excellence and challenging conventional thinking, we enable our clients to boldly differentiate their equity brand, maximize valuation, and build more durable franchises.

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