



Keeping AI Cool

Vertiv is well positioned to benefit from accelerating AI-driven data center investment, supported by strong recent earnings, backlog visibility, and improving margins. Our thesis is that demand for mission-critical power and cooling infrastructure will continue driving revenue growth and earnings momentum. **We initiate VRT with a BUY rating and a one-year PT of \$437.**

Thesis Point 1 Vertiv has demonstrated strong financial growth, reinforcing the view that its recent momentum is supported by true business performance rather than market hype alone. In its latest full-year results, the company reported 26% organic sales growth, 47% adjusted EPS growth, and 66% growth in adjusted free cash flow, while also guiding to 2026 adjusted EPS of \$5.97 to \$6.07. These results show that Vertiv is effectively converting AI and data center demand into higher revenue, improved profitability, and stronger cash generation. As a result, the company appears to have a solid financial foundation to support continued growth moving forward.

Thesis Point 2 Vertiv is well positioned to benefit from the long-term expansion of AI-driven data center infrastructure. The company provides power, cooling, and thermal management systems that are essential for high-density computing environments, giving it direct exposure to one of the fastest-growing areas of the market. Management reported a Q4 book-to-bill ratio of 2.9x and guided to 2026 revenue of \$13.25–\$13.75 billion, showing strong demand visibility beyond current sales. As AI workloads require greater power density and cooling capacity, Vertiv appears positioned to benefit from both near-term project demand and longer-term structural growth.

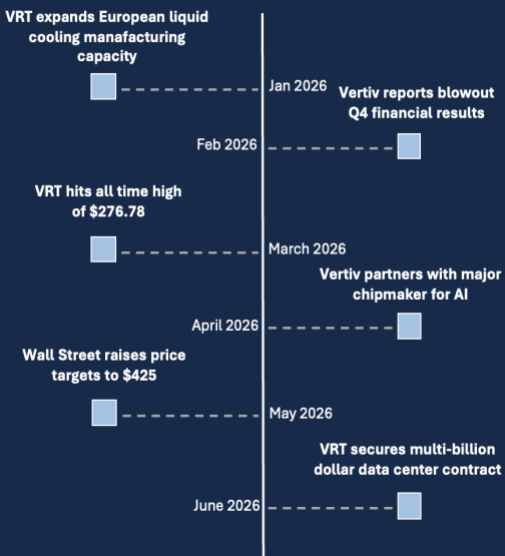
Company Overview Headquartered in Westerville, Ohio, Vertiv Holdings provides thermal management systems, power management equipment, and integrated infrastructure services for hyperscale and enterprise data centers, telecommunications networks, and industrial facilities. The company’s portfolio includes uninterruptible power supply (UPS) systems, switchgear, high-density cooling solutions, and lifecycle service offerings that optimize performance in critical computing environments. As artificial intelligence and cloud workloads increase server density and power consumption, Vertiv’s solutions have become increasingly essential to maintaining operational reliability. The company has reported approximately 15% year-over-year revenue growth, supported by record backlog levels that provide multi-quarter visibility into future revenue. Adjusted EBITDA margins have expanded into the high-teens range, reflecting improved operational discipline and operating leverage. With continued investment in AI-driven data center expansion and sustained demand for power and thermal infrastructure, Vertiv remains well positioned to capitalize on long-term digital infrastructure growth while delivering near-term earnings momentum.

TICKER:	\$VRT
RATING:	BUY
PRICE:	\$376.23
PRICE TARGET:	\$437.18
MARKET CAP:	\$117,165mm
52-W RANGE:	\$101.00 - \$379.94
NTM P/E:	50x
IMPLIED UPSIDE:	16%

1 Year Price History



Recent Events Timeline



EBIT Margin with Annual Revenue



Risk 1 Vertiv is exposed to a slowdown in AI-related data center capital expenditures. The company’s recent backlog growth, order momentum, and earnings outlook are closely tied to hyperscaler and AI infrastructure demand. If customers delay projects, reduce spending, or show signs that growth is beginning to normalize, Vertiv could experience slower earnings growth.

Risk 2 Vertiv trades at a premium valuation because investors are pricing in continued AI-driven growth and margin expansion. If revenue growth slows, margins plateau, or broader market sentiment weakens, investors may become less willing to pay such a high price for the company’s future earnings. In that scenario, shares could decline even if Vertiv continues to deliver solid operating results.

Catalysts Continued acceleration in AI-driven data center spending could act as a key near-term catalyst for Vertiv. As hyperscalers expand capacity, rising demand for power and cooling infrastructure may drive stronger-than-expected revenue and earnings growth. This could support upward guidance revisions, positive earnings surprises, and further share price appreciation.

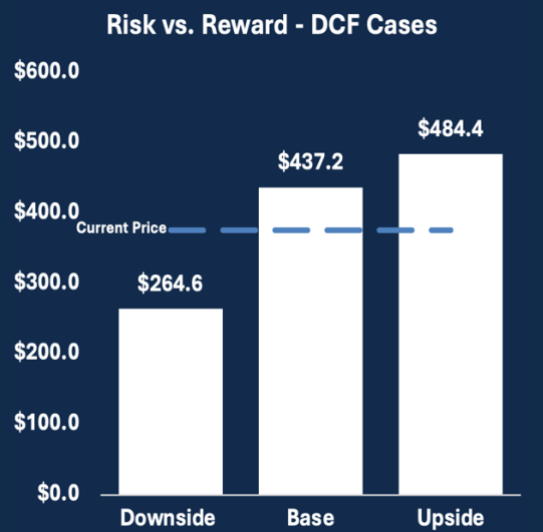
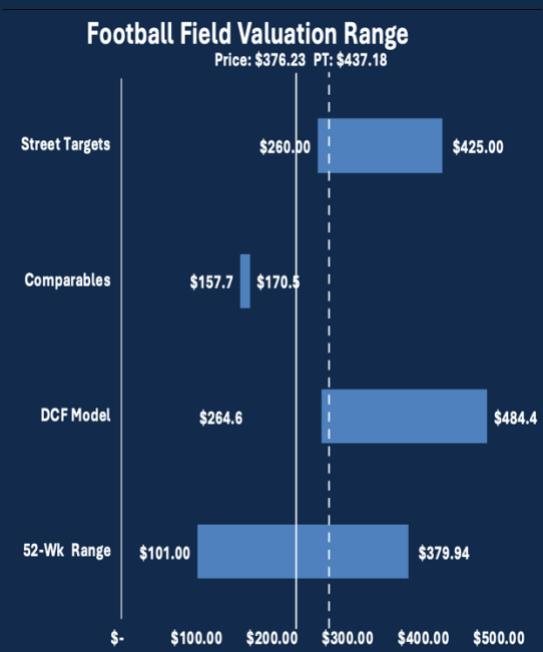
Valuation

DCF Analysis (\$mm)						
	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031
	12/31/2026	12/31/27	12/30/28	12/30/29	12/30/30	12/31/31
Stub	1.37	2.37	3.37	4.37	5.37	6.37
Discount Period	(0.18)	0.13	1.13	2.13	3.13	4.13
Revenue	13,750	18,013	22,786	27,799	32,663	36,910
Revenue Growth	34%	31%	27%	22%	18%	13%
	0.00	13,750	18,013	22,786	27,799	32,663
	0.00	0	0	0	0	0
	0.00	0	0	0	0	0
EBIT	2,068	3,693	4,757	5,907	7,063	8,120
EBIT Margin	15%	21%	21%	21%	22%	22%
Tax Expense	590	812	1,046	1,300	1,554	1,786
Effective Tax Rate	29%	22%	22%	22%	22%	22%
NOPAT	1,478.00	2,880.20	3,710.10	4,607.63	5,509.51	6,333.71
D&A	385	504	638	778	915	1,033
Capex	290	378	479	584	686	775
Changes in NWC	211	1,081	1,367	1,668	1,960	2,215
UFCF	1,362	1,926	2,502	3,134	3,778	4,377
PV of FCF	1,394	1,894	2,172	2,400	2,552	2,608

The base case assumes Vertiv’s growth remains strong but gradually normalizes, with 2027 revenue growth of 30% tapering to 13% by 2031. EBIT margin expands from 19.5% in 2026 to 21.5% by 2031, reflecting operating leverage, pricing discipline, and higher data center exposure. The model also uses a 22% tax rate, 2.8% D&A as a percentage of revenue, 2.1% CapEx as a percentage of revenue, and a 30.0x EV/EBITDA exit multiple, reflecting Vertiv’s premium AI infrastructure positioning while still accounting for growth normalization.

Conclusion Overall, Vertiv is a strong buy candidate due to its exposure to AI-driven data center growth, improving margins, and strong backlog visibility. The company’s critical power and cooling solutions position it well as demand for high-density computing continues to rise. While risks remain around valuation and a potential slowdown in customer spending, our base case supports continued upside. **We initiate VRT as a BUY rating with a PT of \$437, representing a 16% upside in the next year.**

Terminal Value	
Exit Multiple Method	
2034 EBITDA	\$9,154
EV/EBITDA Exit Multiple	32.0x
Terminal Value	\$292,915
PV of Terminal Value	\$174,530
PV of Projection Period	\$13,020
PV of Terminal Value	\$174,530
Implied TEV	\$187,550
(-) Debt	\$3,228
(+) Cash	\$1,728
Implied Equity Value	\$186,050
Diluted Shares Outstanding	384
Implied Share Price	\$484.37
Upside/Downside	28.7%



Income Statement (\$mm)	2025A	2026E	2027E	2028E	2029E	CAGR%
Revenue	10,230	13,750	18,013	22,786	27,799	28.4%
EBITDA	2,208	2,453	4,197	5,395	6,686	31.9%
EBIT	1,899	2,068	3,693	4,757	5,907	32.8%
NOPAT	1,513	1,478	2,880	3,710	4,608	32.1%
Margin & Growth Data	2025A	2026E	2027E	2028E	2029E	AVG%
EBITDA Margin	21.6%	17.8%	23.3%	23.7%	24.1%	22.1%
EBIT Margin	18.6%	15.0%	20.5%	20.9%	21.3%	19.2%
Revenue Growth	27.7%	34.4%	31.0%	26.5%	22.0%	28.3%
EBIT Growth	37.2%	8.9%	78.6%	28.8%	24.2%	35.5%
Valuation Metrics	2025A	2026E	2027E	2028E	2029E	AVG%
P/FCF	81.9x	106.1x	75.1x	57.7x	46.1x	73.4x
EV/Sales	14.3x	10.6x	8.1x	6.4x	5.3x	8.9x
EV/EBITDA	66.1x	59.5x	34.8x	27.1x	21.8x	41.9x
FCF Yield	1.2%	0.9%	1.3%	1.7%	2.2%	1.5%

Comparable Companies

\$mm

Ticker	Mkt Cap	EV	P/E LTM	Revenue LTM	EBITDA LTM
Eaton Corporation plc (NYSE:ETN)	\$158,958	\$168,883	39.2x	\$27,448	\$6,310
Trane Technologies plc (NYSE:TT)	\$106,045	\$109,743	36.5x	\$21,322	\$4,213
Johnson Controls International plc (NYSE:JCI)	\$85,518	\$94,700	47.0x	\$23,967	\$4,134
nVent Electric plc (NYSE:NVT)	\$22,153	\$23,628	52.7x	\$3,893	\$841
Vertiv Holdings	\$119,539	\$120,916	78.5x	\$10,843	\$2,383

Ticker	LTM EV/EBITDA	Gross Margin	EBITDA Margin	EBIT Margin	1 Yr Rev Growth	Rate LF
Eaton Corporation plc (NYSE:ETN)	26.8x	37.8%	23.0%	19.3%		10.3%
Trane Technologies plc (NYSE:TT)	26.0x	36.2%	19.8%	18.2%		7.5%
Johnson Controls International plc (NYSE:JCI)	22.9x	36.5%	17.2%	13.8%		3.4%
nVent Electric plc (NYSE:NVT)	28.1x	37.7%	21.6%	16.3%		29.5%
Vertiv Holdings	50.7x	37.2%	22.0%	18.8%		29.0%

High	50.74x	37.8%	23.0%	19.3%	29.5%
75th Percentile	28.11x	37.7%	22.0%	18.8%	29.0%
Average	30.91x	37.1%	20.7%	17.3%	15.9%
Median	26.76x	37.2%	0.0%	18.2%	10.3%
25th Percentile	26.05x	36.5%	19.8%	16.3%	7.5%
Low	22.91x	36.2%	17.2%	13.8%	3.4%

Vertiv Holdings

Implied Enterprise Value (25th Percentile)	\$	62,075
Implied Enterprise Value (Median)	\$	63,779
Implied Enterprise Value (75th Percentile)	\$	66,991

Implied Share Price (25th Percentile)	\$	157.70
Implied Share Price (Median)	\$	162.14
Implied Share Price (75th Percentile)	\$	170.50

Weighted Average Cost of Capital (\$mm)

Market Risk Premium	4.33%
Beta	2.10
Risk Free Rate	4.46%
Cost of Equity	13.27%
Weighted Average Cost of Debt	5.00%
Tax Rate	22.00%
Cost of Debt	0.09%
Total Equity	\$144,513
Total Debt	\$1,500
Equity/Total Capitalization	97.82%
Debt/Total Capitalization	2.18%
WACC	13.36%

Downside Case: AI CapEx slows, pulling revenue growth below 30%. Multiple compresses to peer lows, capping EBIT margins at 15%. Implied value drops to **\$264.60**.

Upside Case: Rapid AI expansion keeps revenue growth above 34%. Scale boosts EBIT margins to 22% with a 32x multiple. Implied value reaches **\$484.40**.

Disclosures and Ratings: Bluegrass Capital Research does not hold any professional relationships with the securities mentioned in this report. Our ratings are defined as follows: **Buy** (expected to outperform the market), **Hold** (expected to perform in line with the market), and **Sell** (expected to underperform the market), typically over a 12-month horizon. This report is for educational and informational purposes only and should not be considered as financial advice.