

Siemens Aktiengesellschaft

Europe Satellite*

Recommended since 20.01.2025

20.01.2025



| | | |
|--|---|--------------------------------|
| Country DE | Market capitalization (bn) EUR 159.9 | Perf. since reco. (%) |
| Sector Industrial Goods & Service | Free float 92.8% | Siemens Aktiengesellschaft 0.0 |
| Factset SIE-DE | Closing price EUR 200.85 | Sector 0.0 |
| ISIN DE0007236101 | ESG Risk score* 25.8 | Medium risk |

Profile
 Founded in 1847, Siemens is a technology group focused on industrial automation and digitalisation, intelligent infrastructures and railway equipment. The group is active worldwide, with 327,000 employees. Its headquarters are in Munich, Germany. The group has reorganised itself in recent years, and now operates through the following segments: Digital Industries, Smart Infrastructure, Mobility, Siemens Healthineers, and Siemens Financial Services.

Strengths/opportunities

- Exposure to the megatrends of electrification and automation
- Reduction of conglomerate effects in recent years
- "One Tech company" program focused on value creation
- Significant discount to pure industrial peers

Weaknesses/threats

- Cyclical weakness in China (see Digital Industries)
- Schneider's relative lead, particularly in softwares
- Decision to be taken on stake in Siemens Healthineers

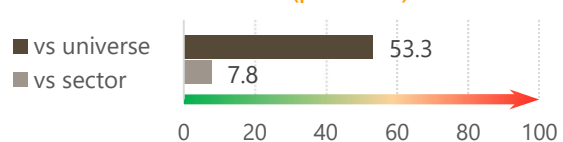
Investment case

Siemens has carried out in-depth work in recent years, enabling it to significantly reduce its conglomerate nature. The group is now fully exposed to the megatrends of electrification and intelligent infrastructure management, automation-digitalisation of industry and mobility. The only exception is Siemens Healthineers (medical equipment), which came to market in 2018 and in which Siemens still holds a 75% stake. At this stage, the main uncertainty lies in the Digital Industries division (1/4 of revenues, of which 1/3 is linked to digitalisation, set to increase with the acquisition of Altair) and the corresponding cycle recovery. We believe that sales in this division are below their normative level and, more generally, that the manufacturing PMI indexes are at low points, and that their recovery should benefit business in this division. The variable to watch here will be order intake. The Smart Infrastructures and Mobility divisions are benefiting from solid fundamentals and good visibility on growth. The Group is also committed to the 'One Tech Company' plan, which aims to accelerate the pace of digitalisation and, by extension, the convergence between the real and digital worlds, notably through strategic acquisitions, better targeting of its R&D, and accelerating the digital transition to a SaaS (Software as a Service) model, enabling it to increase its growth and profitability potential.

Valuation

The PE2025-2026 comes out at c.18-17x. This is >30% below the average for peers (Schneider, ABB). Confirmed discount in EV/Ebit (c. 20%) and PEG, at c. 1.8x for Siemens, 25% below peers. On this basis, we are targeting a stock price of EUR 240.

ESG risk vs. universe & sector (percentile)*

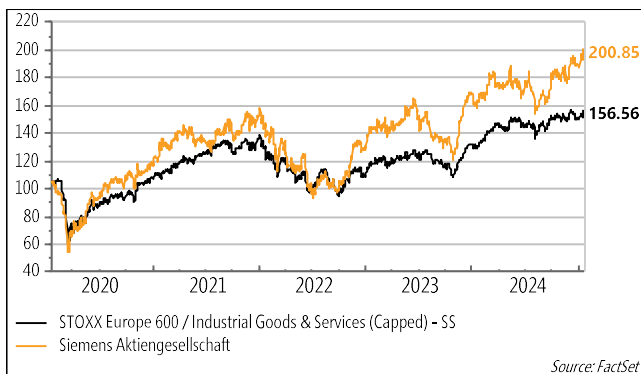


| EUR | 09/2024 | 09/2025e | 09/2026e |
|---------------------|---------|----------|----------|
| Sales revenue (mio) | 75 930 | 79 100 | 84 479 |
| Sales growth | 1.4% | 4.2% | 6.8% |
| EBIT adjusted (mio) | 9 563 | 11 017 | 12 740 |
| % of sales | 12.6% | 13.9% | 15.1% |
| Net income (mio) | 8 216 | 9 592 | 9 093 |
| Net income growth | 3.5% | 16.8% | -5.2% |
| FCF/Sales | 10.7% | 11.7% | 11.5% |
| Net debt/Ebitda | 3.0x | 2.4x | 2.0x |
| Dividend yield | 2.6% | 2.6% | 2.9% |
| PE | 17.2x | 18.0x | 16.9x |
| P/BV | 2.8x | 2.8x | 2.6x |

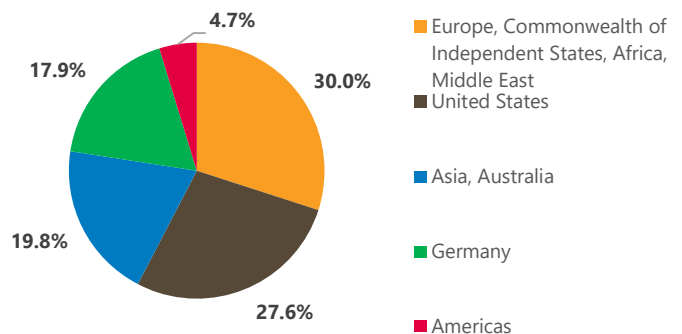
ESG - risks and key points

- Siemens has a medium risk of ESG-related financial impacts due to high risk exposure, mitigated by strong governance, as evidenced by its risk vs. sector.
- The main risks relate to product quality, in a diversified and global business, as well as corruption or competition-related regulations.

5-year performance vs sector



Sales breakdown - 09/2024



*: see overleaf

Source: Factset, Sustainabilitycs

Glossary

Satellite

From 2015, B&Cie separates its investment recommendations into Core Holdings (higher organic growth potential, high free cash flow, ROCE in excess of the cost of capital and balance sheet efficiency throughout the cycle) and Satellite Recommendations, which do not meet the above criteria but are likely to outperform in the short-to-medium term.

ESG Risk Score

At B&Cie, we take particular care to ensure that the companies in which we recommend investing are sustainable. Accordingly, our selection process takes account of risks relating to environmental, social and governance (ESG) issues. This approach is underpinned by research from Sustainalytics, the global leader in ESG and corporate governance analysis, whose methodology aims to identify major controversies and risks and assess a company's ESG risks relative to both its sector and the investment universe as a whole. The corresponding score is expressed as a percentile: the lower the overall risk score, the lower the risk within the investment universe.

b-Digital, b-Transition & b-Well

Over and above the conventional geographical and sectoral approaches to asset management, at B&Cie we believe the world of tomorrow is being shaped by structural trends. We have identified three main megatrends: ongoing digital globalisation of the economy; economic transition, particularly in the energy sector; and the quest for wellness. We believe selecting and investing in companies that play an active role in these transformations should lead to more resilient portfolios that generate higher long-term returns. Our investment recommendations in the digital globalisation space are labelled "b-Digital", those in the economic transition space "b-Transition" and those in the wellness space "b-Well". A given recommendation may fall under more than one theme, in which case it will carry the relevant matching labels.

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