Friday Favorites- GE Vernova

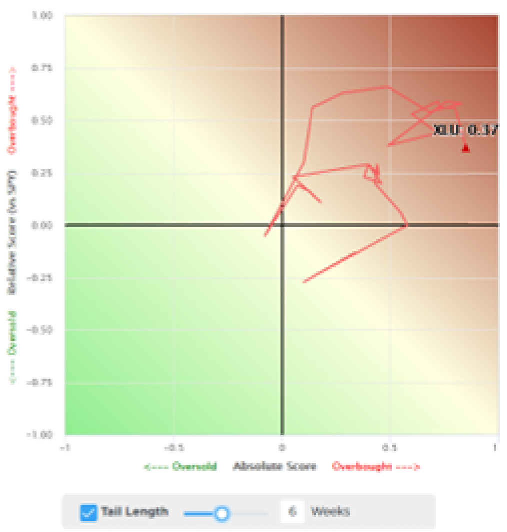
GE Vernova (GEV)

Based on the SimpleVisor Performance Analysis shown below, the utility sector has recently become the best-performing sector on a relative and absolute basis. Driving recent gains is a narrative about the tremendous need to power data centers that will be housing AI products.

Symbol	Name	Top 10 Holdings	Absolute Score	Relative Score (vs SPY)	Chart
XLU	Utilities		0.85	0.37	
XLI	Industrials		0.26	0.06	
XLK	Technology		0.19	0.06	
XLP	Consumer Staples		0.20	0.00	
XLY	Consumer Discretionary		0.10	-0.01	
XLC	Communication Services		-0.02	-0.07	
XLF	Financial		0.14	-0.08	
XLB	Materials		0.01	-0.22	
XLE	Energy		0.08	-0.22	
XLV	Health Care		-0.02	-0.31	
XLRE	Real Estate		-0.02	-0.36	
XTN	Transportation		-0.03	-0.47	

How it works

-1.00	-0.75	-0.20 +0.20	+0.75	+1.00
Extremly Oversold	Oversold Could be a good time to increase holdings.	Fair Value	Overbought Could be a good time to reduce holdings.	Extremly Overbought



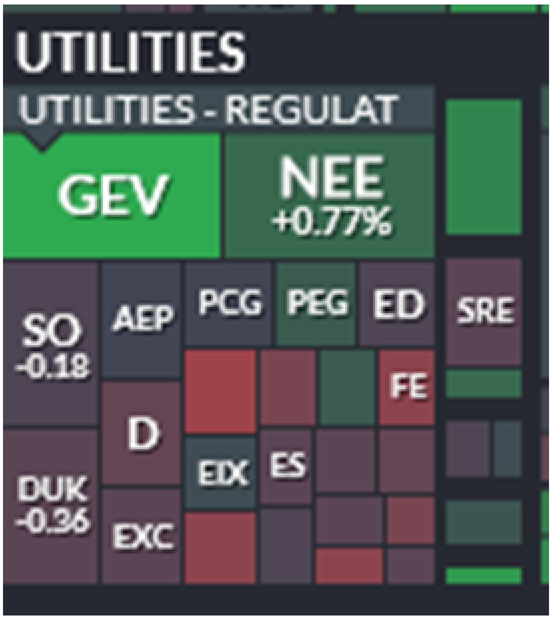
Recently, NextEra Energy (NEE) has been one of the best-performing stocks in the utility sector. The table below shows that NEE is considerably overbought compared to the other top holdings of XLU. This is not surprising, as they not only provide traditional utility services but are also leaders in renewable energy, which will likely grow in demand as utilities increase their power generation.&#2013266080;&#2013266080;

Top 10 Holdings Relative Analysis with Each Other

AEP/	D/	EXC/	PCG/	PEG/	SRE/	CEG/	DUK/	NEE/	SO/	XLU/		
0.00	-0.10	-0.60	-0.15	0.21	-0.52	0.21	-0.33	0.38	0.14	-0.07	AEP	American Electric Power Co Inc
0.10	0.00	-0.80	-0.01	0.39	-0.27	0.29	-0.23	0.67	0.15	-0.07	D	Dominion Energy Inc
0.60	0.80	0.00	0.74	0.84	0.43	0.56	0.59	0.93	0.87	0.88	EXC	Exelon Corp
0.15	0.01	-0.74	0.00	0.53	-0.37	0.27	-0.15	0.77	0.29	0.04	PCG	PG&E Corp
-0.21	-0.39	-0.84	-0.53	0.00	-0.65	0.19	-0.57	0.45	-0.25	-0.48	PEG	Public Service Enterprise Group Inc
0.52	0.27	-0.43	0.37	0.65	0.00	0.35	0.22	0.75	0.74	0.37	SRE	Sempra
-0.21	-0.29	-0.56	-0.27	-0.19	-0.35	0.00	-0.41	0.32	-0.18	-0.29	CEG	Constellation Energy Corp
0.33	0.23	-0.59	0.15	0.57	-0.22	0.41	0.00	0.69	0.51	0.53	DUK	Duke Energy Corp
-0.38	-0.67	-0.93	-0.77	-0.45	-0.75	-0.32	-0.69	0.00	-0.51	-0.61	NEE	NextEra Energy Inc
-0.14	-0.15	-0.87	-0.29	0.25	-0.74	0.18	-0.51	0.51	0.00	-0.29	SO	Southern Co
0.07	0.07	-0.88	-0.04	0.48	-0.37	0.29	-0.53	0.61	0.29	0.00	XLU	

From a sector perspective, NEE now has more direct competition within the utility sector. As the Finviz heat map below shows, GEV is now the largest utility company in the S&P 500. However, GEV is not yet a component of the largest utility ETF, XLU.

GEV is GE Vernova, a spin-off from General Electric (GE). While the stock is new, the business segments it manages are mature. GEV has over 80,000 employees across more than 100 countries. GE Vernova is unique in the utility sector as it does not directly supply power to its customers. We liken the company to a hybrid utility/industrial company.



GE Vernova is comprised of the following companies spun off from GE.

- GE Power is a supplier of power generation technology, energy services, and energy management, including oil and gas, distributed power, and energy rental-related solutions. It manufactures gas and steam turbines, electric generators, and boilers.
- GE Renewable Energy- Has three primary business lines: wind, hydro, and electric grid solutions.
- GE Digital provides its customers with software and industrial Internet of Things (IIoT) services. Its clients are primarily in the utilities, telecommunications, and energy sectors.
- GE Energy Financial Services- provides financial investment in energy infrastructure projects worldwide.

GEV Fundamentals

While not a startup, the recent spin-off means there is very limited financial data available to help assess the value of the company. GEV just reaffirmed that they expect revenue of $34-35 billion and margin expansion. They are not providing guidance on earnings. Their latest earnings report can be found **HERE**.

Per Zacks they have a Forward P/E of 45.33 and Price to Book (P/B) of 4.57. Both are higher than the market and much higher than most utility stocks. Unlike most utility companies, GEV does not have any long-term debt, but they do not pay dividends as the utility sector is well known for.

GEV has much more growth potential than traditional utility companies. In fact, utilities are and will be a large source of revenue for GEV.

Putting GEV In A Portfolio

GEV is a supplier of industrial goods and services allowing utility companies to keep up with growing energy demand. As such, their upside growth potential is much more significant than most other utilities.

GEV should profit as utilities are forced to spend and invest to upgrade and expand their power generation facilities to meet the surge in power needed by data centers and EVs. Consequently, their cash flows should look different than most utility companies. Accordingly, GEV is not only a bet that AI data centers will generate massive power needs, but it is a unique way to seek diversification within the utility sector.

GEV will benefit from the current data center narrative, but as we know, narratives eventually fade and succumb to a newer narrative. With little fundamental data available and only a month of trading history, the narrative may be the strongest reason to buy the stock in the short run. In the longer term, with more data available, we will be in a better position to assess its potential.

Disclosure

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