



ABB Ltd

ABBN:SWX

MSCI: AAA

Current Price: \$57.82

Target Share Price: \$67.46

Recommendation: LONG



Technology Team

Yiwei Sun, Luis Perera, Olaf Piskon, Leonardo Farina



Company Overview

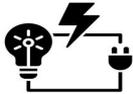
Founded: 1988

Focus: Electrification and automation

Emphasis: Decarbonising industries with efficient, sustainable solutions

Industries

Electrification



Motion



Process Automation



Robotics & Discrete Automation



Economic MOAT's

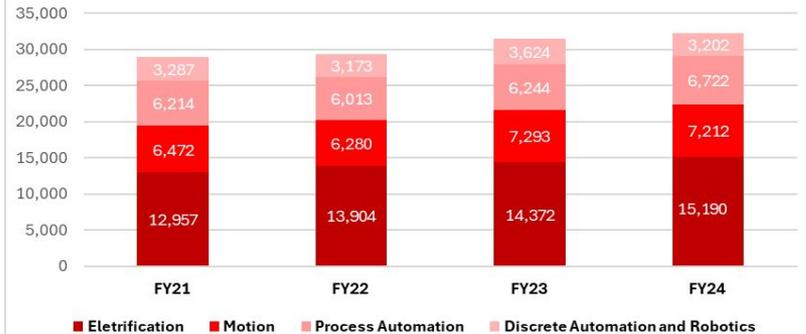
Diversification :

- **Top-three industry positions** with strong revenues.
- **Balanced segments** offset weaknesses.
- **Diversified geography** reduces market risk.

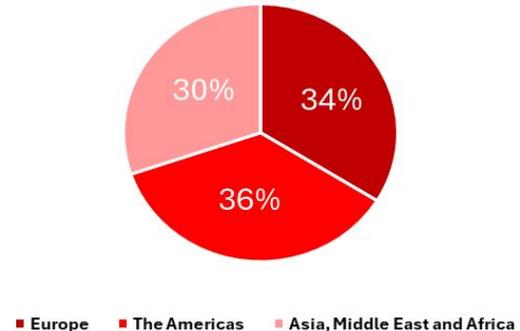
High Switching Costs:

- **Integrated systems** make switching costly and disruptive.
- **High customer lock-in** drives recurring revenue.
- **Long-term retention** strengthens ABB's customer base.

Revenue Breakdown By Industry (\$ Mil)



FY24 Revenue Breakdown Geographically (\$ Mil)



Industry Overview



Competitive Universe

Leader in Electrification:
24.5% EBITDA margin (Q3 2025).

Key drivers: EV infrastructure and data center upgrades.

Rising Industrialised automation:
Oligopolistic market (\$260bn value).

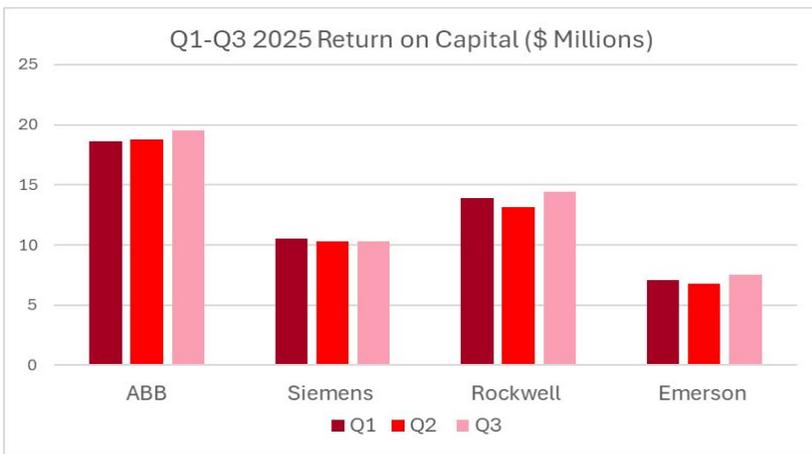
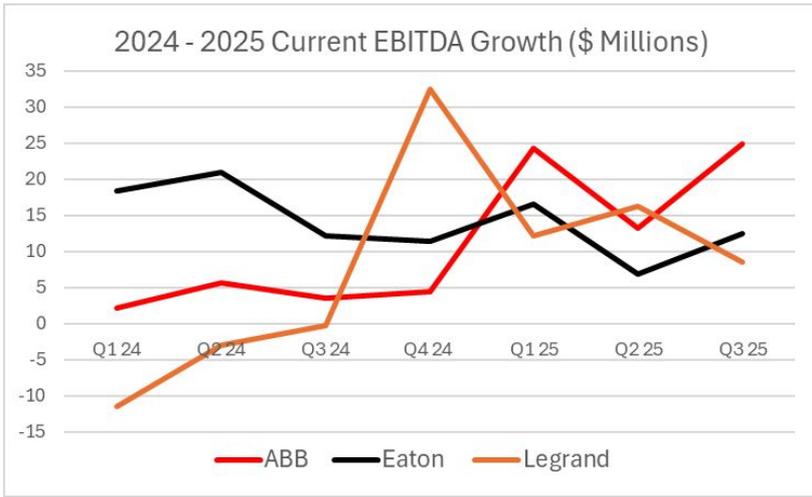
\$9.1bn orders received (Q3 2025).

Steady Robotics:
300,000+ robots installed worldwide.

Focus: warehouse logistics and EV lines.

Motion: The second engine:
45% global electricity converted into motion by motors.

Meeting EU Green Capex demands.



Porters 5 Forces

THREAT OF NEW ENTRANTS - LOW:
High capital intensity and IP barriers.

BARGAINING POWER OF BUYERS - LOW:
High switching costs.

BARGAINING POWER OF SUPPLIERS - MEDIUM:
Offset by ABB's global production scale.

THREAT OF SUBSTITUTES - LOW:
Few alternatives in 'desired industries'.

INTENSE COMPETITION - HIGH:
Main driver of innovation.



Discounted Cash Flow Analysis

Weighted Average Cost of Capital

Risk free rate	0.17%
Equity beta	1.007
Equity risk premium ($R_m - R_f$)	8.61%
Cost of equity (K_e)	8.84%

Cost of debt	3.98%
Tax rate	25.86%
After-tax cost of debt (K_{dt})	2.95%

Percentage of capital

Market Value of Debt	7,811	34.15%
Market Equity Value	15,060	65.85%
Total capital	22,871	100.00%

Weighted average cost of capital	6.83%
---	--------------

- Risk Free Rate: Swiss 5Y Gov Bond Yield.
- Beta: Volatility relative to market.
- Expected Market Return: 7-10%.
- Cost of Equity: Minimum return required by equity investors.
- Cost of Debt: Effective interest rate on borrowings.
- WACC: Average return expected by equity and debt investors to finance operations.

DCF Valuation II



Discounted Cashflow		FY2025E	FY2026E	FY2027E
<i>Amounts in millions, except per share amount</i>				
EBIT	\$	5,243	5,176	5,525
Taxes @ 24.4%	\$	1,264	1,349	1,431
NOPAT	\$	6,507	6,525	6,956
+ Depreciation and amortization	\$	850	901	955
± Changes in working capital	\$	1,064	492	522
– Capital expenditures	\$	(904)	(958)	(1,015)
Unlevered free cash flows	\$	7,517	6,960	7,418
<hr/>				
Discount rate	%	6.83%	6.83%	6.83%
Discount period	#	1	2	3
Discount factor	#	0.94	0.88	0.82
<hr/>				
Present value of unlevered free cash flows	\$	7,037	6,099	6,084

DCF Value - Perpetuity Growth Method

Amounts in millions, except per share amount

NPV of UFCF 2025-2027	19,220
PV of Terminal Value	128,537
Implied Enterprise Value	147,757
Less: Debt	(7,811)
Add: Cash & Equivalents	4,311
Implied Equity Value	144,257
Diluted Shares	1,851
Implied Value per Share	77.93

Terminal Value - Perpetuity Growth

FY 2027E UFCF	7,418
Perpetuity growth rate	2.00%
Terminal Value	156,706
Implied Exit Multiple	22.99x

- NOPAT: Reflects how much profit the core operations generate.
- Changes in Working Capital: Measure of a companies health.

- Terminal Value: Estimates the value of future cash flows.
- Enterprise Value: True value of acquiring a business.

DCF Valuation III



Valuation Analysis	Enterprise Value	Per share	Weighting	Contribution
ABB LTD DCF Valuation November 2025	144,257	77.93	50%	38.97
ABB LTD FY1 EV/Revenue - trading comps	110,525	57.82	25%	14.46
ABB LTD FY1 EV/EBITDA - trading comps	107,417	56.14	25%	14.04
Share Price				67.46
Current Share Price				57.82
Discount				-14.3%

Enterprise value multiples

FY2024A FY2025E FY2026E FY2027E

Revenue	32,850	34,814	36,895	39,100
EBITDA	6,045	6,026	6,425	6,815
EV/Revenue	3.36x	3.17x	3.00x	2.83x
EV/EBITDA	18.28x	18.34x	17.20x	16.22x

- EV multiples: Allow fair comparison between companies by removing differences in debt and cash.
- EV/EBITDA: Measures a company's value relative to its operating cash flow, showing how much investors pay for each dollar of core earnings.

Comparable Company Analysis



Company	Market value	Enterprise value	EV/Revenue			EV/EBITDA		
			LTM	FY2025E	FY2026E	LTM	FY2025E	FY2026E
Siemens AG	141,274	180,037	2.37x	2.72x	2.54x	13.30x	15.70x	14.20x
Schneider Electric SE	135,172	143,319	3.76x	3.55x	3.24x	17.40x	16.70x	14.80x
Legrand SA	24,651	27,674	3.20x	3.94x	3.62x	13.50x	16.80x	15.20x
Eaton Corporation plc	131,155	138,227	5.56x	5.20x	4.68x	23.90x	22.10x	19.00x

LTM = FY2024

Source: Bloomberg

All financials calendarised to December year end

High	5.56x	5.20x	4.68x	23.90x	22.10x	19.00x
Mean	3.72x	3.85x	3.52x	17.03x	17.83x	15.80x
Median	3.48x	3.75x	3.43x	15.45x	16.75x	15.00x
Low	2.37x	2.72x	2.54x	13.30x	15.70x	14.20x

ABB LTD implied enterprise value	107,025	110,525	122,284	134,120	129,869	102,916	107,417	101,521
---	----------------	----------------	----------------	----------------	----------------	----------------	----------------	----------------

- ABB's FY2025E EV/Revenue, EV/EBITDA are 3.17x & 18.34x respectively.

- Industry averages are 3.85x & 17.83x respectively.



1. Electrification Products

- Cables, Switchgears, Substations
- High demand
- High switching costs
- Attractive operating margins

2. ABB Robotics Acquisition

- \$5.4B Divestiture
- Low synergy
- Low revenues
- High order backlog

3. Efficiency Gains

- ↑ Product synergy
- ↑ Cash conversion cycle





Abb.com. (2025). *Q3 2025 - Financial information (PDF)*.

https://search.abb.com/library/Download.aspx?DocumentID=9AKK108471A8834&LanguageCode=en&DocumentPartId=&Action=Launch&_gl=1

News. (2021). *ABB urges greater adoption of high-efficiency motors and drives to combat climate change – global electricity consumption to be reduced by 10%*.

<https://new.abb.com/news/detail/75020/abb-urges-greater-adoption-of-high-efficiency-motors-and-drives-to-combat-climate-change-global-electricity-consumption-to-be-reduced-by-10>

Skyquestt.com. (2025). *Industrial Automation Market By Component (Hardware, Software), By Type (Fixed Automation, Flexible Automation), By Industry (Automotive, Food & Beverage), By Application, By Region - Industry Forecast 2025-2032*.

<https://www.skyquestt.com/report/industrial-automation-market>.

Abb.com. (2022). *Integrated Report (PDF)*. [online] Available at:

https://search.abb.com/library/Download.aspx?DocumentID=9AKK108467A8464&LanguageCode=en&DocumentPartId=&Action=Launch&_ga=2.167515001.631962135.1699866347-1444308130.1695282370&_gl=1*ob53h1*_gcl_au*ODk2MTQ4OTQwLjE3NjI3OTA5NDU.*_ga*NDc0NTE1MTY0LjE3NjI3OTA5NDU.*_ga_46ZFBRSZNM*cze3NjUzMDM1MTQkbzEwJGcxJHqxNzY1MzAzODU0JGo2MCRsMCRoMA..

Abb.com. (2023). *Integrated Report (PDF)*. [online] Available at:

https://search.abb.com/library/Download.aspx?DocumentID=9AKK108469A1416&LanguageCode=en&DocumentPartId=&Action=Launch&_gl=1*1rx6dil*_gcl_au*ODk2MTQ4OTQwLjE3NjI3OTA5NDU.*_ga*NDc0NTE1MTY0LjE3NjI3OTA5NDU.*_ga_46ZFBRSZNM*cze3NjUzMDM1MTQkbzEwJGcxJHqxNzY1MzAzNTUxJGoyMyRsMCRoMA..

Abb.com. (2024). *Integrated Report (PDF)*. [online] Available at:

https://search.abb.com/library/Download.aspx?DocumentID=9AKK108470A7206&LanguageCode=en&DocumentPartId=&Action=Launch&_gl=1*ot5l5a*_gcl_au*ODk2MTQ4OTQwLjE3NjI3OTA5NDU.*_ga*NDc0NTE1MTY0LjE3NjI3OTA5NDU.*_ga_46ZFBRSZNM*cze3NjUzMDM1MTQkbzEwJGcxJHqxNzY1MzAzNTUxJGoxOCRsMCRoMA..

Abb.com. (2021). *Annual Report (PDF)*. [online] Available at:

https://search.abb.com/library/Download.aspx?DocumentID=9AKK108466A5900&LanguageCode=en&DocumentPartId=&Action=Launch&_gl=1*11di64v*_gcl_au*ODk2MTQ4OTQwLjE3NjI3OTA5NDU.*_ga*NDc0NTE1MTY0LjE3NjI3OTA5NDU.*_ga_46ZFBRSZNM*czE3NjUzMDM1MTQkbzEwJGcxJHQxNzY1MzA0MzE5JGo2MCRsMCRoMA..

new.abb.com. (2025). *ABB to divest Robotics division to SoftBank Group* (Article) [online] Available at:

[ABB to divest Robotics division to SoftBank Group | News center](#)