ETN gideon lens

Eaton Corporation plc (ETN) - Gideon Lens

Production ER2 | Report date: 2026-08-02 | Price anchor: USD 415.20 at the 2026-07-31 NYSE close | TTM end: 2026-06-30 | Exact horizon: 2031-06-30

Decision

Verdict: PASS

Scorecard:

Gate	Result	Notes
Management	YELLOW	Clean execution; acquisition returns and deleveraging remain unproved
Moat	YELLOW	Durable chokepoints pass 2046 test; peak margins remain cycle-untested
P/E <= 15 on confident EPS at TTM + 5 calendar years	FAIL	Base EPS USD 16.99; value USD 254.85; cushion -38.62%
Compounder Score	Audited 52 / 100	Reject under diagnostic rubric; durable franchises cannot offset evidence gaps and price
Business Quality Score	Audited 51 / 80	Quality evidence is capped by unmeasured ROIIC, leverage, and YELLOW gates
20% Return UW Score	Audited 1 / 20	Today's price does not support the stretch return hurdle

One-line thesis (or reason to pass): Eaton owns durable electrical and aerospace franchises, but two unresolved qualitative gates and a decisive valuation failure make USD 415.20 a PASS.

Security return underwriting (mandatory even when the verdict is PASS):

Measure	Result	Notes
Gross local-currency bear / base / bull IRR	-13.78% / 1.34% / 10.57%	Five-year annualized shareholder return in USD
Probability-weighted gross local-currency IRR	0.74%	CAGR of USD 430.7544 probability-weighted terminal wealth; weights 25% / 55% / 20%
Return bridge	USD 415.20 -> USD 197.79 / 443.77 / 686.17	Horizon 2031-06-30; continuing value/share USD 171.79 / 407.77 / 639.17; distributions USD 26 / 36 / 47 including bounded Mobility value; diluted shares 384.645m / 380.263m / 377.796m; terminal net debt USD 15b / 8b / 3b; exit P/E 18x / 24x / 28x

Gross local-currency underwriting in USD; net-SGD adjustments appear separately in CIO actionability. Scenario probabilities are 25% / 55% / 20%.

Bear-case operating and return bridge

Bear case	Start (2026-06-30)	Horizon (2031-06-30)	CAGR / change	Justification
Revenue	USD 26.93B continuing	USD 33.41B	4.40%	Continuing revenue excludes Mobility after the expected separation.
Operating margin	17.71% reported	15.86% continuing	not like-for-like	Start margin/OI are full-perimeter reported figures; the horizon removes Mobility and retains stranded costs.
Operating earnings	USD 5.32B reported	USD 5.30B continuing	not like-for-like	Start margin/OI are full-perimeter reported figures; the horizon removes Mobility and retains stranded costs.

Bear case	Start (2026-06-30)	Horizon (2031-06-30)	CAGR / change	Justification
Diluted share count	389.400M	384.645M	-0.25%	Limited repurchases slightly reduce shares despite SBC issuance.
EPS	USD 9.827	USD 9.544	-0.58%	Continuing statutory earnings include slower debt reduction and a 21% tax rate.
Valuation	42.25x P/E	18.0x P/E	-24.25x	18x is independently selected and well below today's P/E.
Share value	USD 415.20	USD 171.793	-16.17%	Continuing EPS multiplied by 18x.
Annual dividend	USD 4.16	Not separately modelled	n/a	Only cumulative dividends were frozen; USD 5/share of Mobility value is added separately to terminal wealth.
Dividend yield	1.00%	n/a	n/a	Endpoint DPS divided by endpoint share value; unavailable where endpoint DPS was not separately frozen.
Five-year dividends	-	USD 21.00	cumulative	Cumulative cash distributions per share over the exact five-year horizon; no reinvestment benefit.
Total ending value	USD 415.20	USD 197.793	-13.78% gross local IRR	Terminal share value plus cumulative distributions and any separately disclosed distributed-security value; reconciles to the audited bridge.

Base-case operating and return bridge

Base case	Start (2026-06-30)	Horizon (2031-06-30)	CAGR / change	Justification
Revenue	USD 26.93B continuing	USD 39.92B	8.18%	Electrical Americas, Boyd-normalized Global and Aerospace drive like-for-like growth.
Operating margin	17.71% reported	20.81% continuing	not like-for-like	Start margin/OI are full-perimeter; terminal continuing margin includes amortization and stranded-cost cushions.
Operating earnings	USD 5.32B reported	USD 8.31B continuing	not like-for-like	Start margin/OI are full-perimeter; terminal continuing margin includes amortization and stranded-cost cushions.
Diluted share count	389.400M	380.263M	-0.48%	Repurchases resume only after the first year and exceed issuance.
EPS	USD 9.827	USD 16.990	11.56%	Continuing statutory earnings reflect measured deleveraging.
Valuation	42.25x P/E	24.0x P/E	-18.25x	24x base exit is separate from the ER2 15x entry gate.
Share value	USD 415.20	USD 407.766	-0.36%	Continuing EPS multiplied by 24x.
Annual dividend	USD 4.16	Not separately modelled	n/a	Only cumulative dividends were frozen; USD 12/share of Mobility value is added separately to terminal wealth.
Dividend yield	1.00%	n/a	n/a	Endpoint DPS divided by endpoint share value; unavailable where endpoint DPS was not separately frozen.

Base case	Start (2026-06-30)	Horizon (2031-06-30)	CAGR / change	Justification
Five-year dividends	-	USD 24.00	cumulative	Cumulative cash distributions per share over the exact five-year horizon; no reinvestment benefit.
Total ending value	USD 415.20	USD 443.766	1.34% gross local IRR	Terminal share value plus cumulative distributions and any separately disclosed distributed-security value; reconciles to the audited bridge.

Bull-case operating and return bridge

Bull case	Start (2026-06-30)	Horizon (2031-06-30)	CAGR / change	Justification
Revenue	USD 26.93B continuing	USD 44.90B	10.76%	Strong electrical infrastructure and Aerospace execution sustain the high case.
Operating margin	17.71% reported	23.47% continuing	not like-for-like	Start margin/OI are full-perimeter; terminal continuing margin assumes better absorption but keeps bridge costs.
Operating earnings	USD 5.32B reported	USD 10.54B continuing	not like-for-like	Start margin/OI are full-perimeter; terminal continuing margin assumes better absorption but keeps bridge costs.
Diluted share count	389.400M	377.796M	-0.60%	Faster buybacks reduce shares while debt also falls.
EPS	USD 9.827	USD 22.828	18.35%	Higher operating income and lower interest lift continuing EPS.
Valuation	42.25x P/E	28.0x P/E	-14.25x	28x rewards bull execution but contracts from today's P/E.
Share value	USD 415.20	USD 639.173	9.02%	Continuing EPS multiplied by 28x.
Annual dividend	USD 4.16	Not separately modelled	n/a	Only cumulative dividends were frozen; USD 20/share of Mobility value is added separately to terminal wealth.
Dividend yield	1.00%	n/a	n/a	Endpoint DPS divided by endpoint share value; unavailable where endpoint DPS was not separately frozen.
Five-year dividends	-	USD 27.00	cumulative	Cumulative cash distributions per share over the exact five-year horizon; no reinvestment benefit.
Total ending value	USD 415.20	USD 686.173	10.57% gross local IRR	Terminal share value plus cumulative distributions and any separately disclosed distributed-security value; reconciles to the audited bridge.

CIO actionability (separate from ER2 underwriting):

Measure	Result	Notes
Status	PASS	This is not the ER2 verdict; current expected return is inadequate
Bear / Base / Bull net SGD IRR	-15.29% / 1.09% / 11.40%	Five-year diagnostic after 0.25% annual friction and USD/SGD return of -1.50% / 0.00% / +1.00%
Probability-weighted net SGD IRR	0.64%	CAGR of probability-weighted net-SGD terminal wealth; weights 25% / 55% / 20%

Measure	Result	Notes
10% mandate hurdle	FAIL	Base and probability-weighted cases are both below 10%
15% stretch hurdle	FAIL	Even the diagnostic bull case is below 15% net SGD
Downside and portfolio fit	UNAVAILABLE	Bear downside fails; live portfolio context was not supplied or accessed
Proposed sizing ceiling	none	No positive research sizing; owner approval would be required regardless

Trade execution authorized: NO

Kill / trigger criteria:

- Conditional BUY trigger: price at or below USD 254.85, while Management and Moat both upgrade to PASS; the price alone is insufficient.
- PASS trigger: Electrical Americas segment margin below 25.0% for two consecutive quarters by Q2 FY2027.
- PASS trigger: gross debt remains above USD 18.0B at FY2027 year-end without quantified acquisition-return evidence.
- PASS trigger: the Mobility RMT produces less than USD 8.00 per Eaton share of combined distributed-security value and retained cash after leakage.
- Upgrade to BUY conditions: audited acquisition-inclusive ROIIC above 15%, net debt below 2.0x normalized EBITDA, normalized Electrical Americas margin at least 25%, and a positive P/E-15 cushion at the current quote.

Research sizing if actionable: none. This is a proposal only and cannot authorize a trade.

What the business earns today

Eaton's operating quality is real. The TTM base is built from official FY2025 less H1 FY2025 plus official H1 FY2026, not a stale fiscal-year shortcut. Electrical Americas anchors the group with USD 14.467B of revenue and USD 4.091B of Segment operating profit (loss), a 28.3% margin. Electrical Global contributes USD 7.916B and USD 1.543B, Aerospace USD 4.552B and USD 1.129B, and Mobility USD 3.109B and USD 0.409B. The sealed bridge reconciles USD 7.172B of segment profit to USD 5.316B of statutory operating income. The quantitative foundation and data review independently verified that bridge.

The most important data repair concerned Q1 FY2026. FMP reported Mobility revenue of USD 614M, while the official filing reported USD 766M; the FMP row total was therefore USD 153M below consolidated revenue. The governed model uses official filings exclusively for the TTM segment base. A second material repair occurred in Electrical Global: the producer initially compounded Boyd's partial-period TTM contribution as though it were a full-year base. The independent reviewer reset Boyd to the source-bound USD 1.7B FY2026 sales anchor and rebuilt every scenario rollup. These repairs strengthen the arithmetic, but they do not improve the investment conclusion.

Five-year operating model

The cleared synthesis passes all 11 required tie-outs. Mobility is excluded from continuing Eaton operations after the expected Q1 2027 reverse Morris trust; its operating revenue and profit are not double-counted in the 2031 group model. Any shareholder benefit from the separation is carried separately through a bounded distributed-security value and Eaton's expected USD 1.1B cash receipt.

The base case reaches USD 39.915B of continuing revenue, USD 8.307B of statutory operating income, USD 6.461B of net income and USD 16.99 of EPS on 380.263M diluted shares. Electrical Americas supplies USD 21.529B of revenue at a 28.75% segment margin; Electrical Global supplies USD 11.995B at 20.88%; Aerospace supplies USD 6.390B at 26.18%. The bear case produces USD 33.408B of revenue and USD 9.54 of EPS. The bull case produces USD 44.904B and USD 22.83 of EPS. Every case remains below the USD 27.68 EPS required to justify today's price at 15x.

The P/E-15 gate therefore fails decisively. Base value is USD 254.85, 38.62% below the quote. Even the bull case has a negative 17.53% cushion. Because Management and Moat are also YELLOW, the exhaustive ER2 decision rule requires PASS independently of the return-score rubric.

Management, moat, and quick disqualifiers

Management is YELLOW, not FAIL. CEO Paulo Ruiz has served since June 2025 and CFO Dave Foster since March 2026. The company met or beat expectations in all eight assessed quarters, governance is clean, and capital allocation is strategically coherent. Yet Boyd and Ultra PCS contributed USD 635M of sales and USD 152M of segment profit through Q2 without a seasoned post-integration ROIC record. Gross debt rose from USD 9.895B to USD 20.611B, buybacks stopped, and management has not disclosed a dated deleveraging target. Incentives emphasize adjusted EPS, cash flow and relative TSR rather than explicit ROIC.

Moat is also YELLOW. Electrical specification positions, distribution, qualification requirements, installed bases, and Aerospace aftermarket content are durable enough to pass the 2046 test. The missing proof is cycle-normalized economics. Electrical Americas' high-20s margin has not survived a normalized data-center investment cycle, Boyd cooling could face standardization or multi-sourcing, and customer churn, price escalators, capacity utilization and product-level margins are not disclosed.

The hard-veto sweep does not find fraud, control failure, structural cash burn, or a broken statutory bridge. It does find valuation dependence, acquisition-return uncertainty and leverage. The audited Compounder Score falls to 52/100 because ROIIC fields are null and acquisition-inclusive returns are unobservable. Under the diagnostic rubric, that is Reject-not because the franchises are poor, but because current evidence cannot support dream-investment status.

Return bridge and red team

The gross return model uses scenario-specific 18x, 24x and 28x exit P/E multiples rather than misusing the binary P/E-15 entry gate. Starting at USD 415.20, bear terminal wealth is USD 197.79 per share: USD 171.79 of continuing equity value, USD 21.00 of cash dividends and USD 5.00 of bounded Mobility security value. Base terminal wealth is USD 443.77: USD 407.77 continuing value, USD 24.00 dividends and USD 12.00 Mobility value. Bull terminal wealth is USD 686.17: USD 639.17 continuing value, USD 27.00 dividends and USD 20.00 Mobility value. The expected USD 1.1B cash receipt is included once in terminal net-debt paths, not again as a distribution.

The probability-weighted IRR is not an arithmetic average. Applying 25% / 55% / 20% to scenario terminal wealth produces USD 430.7544, whose five-year CAGR from USD 415.20 is 0.74%. The base case needs a 58.69x exit P/E to earn 20%, which makes the stretch hurdle plainly implausible.

The red team identifies USD 8.307B of base 2031 statutory operating income as the most optimistic synthesis number because it stacks resilient electrical margins, successful Boyd integration, amortization runoff and cost normalization. It also notes that the USD 5.25B base buyback path competes with deleveraging. Most importantly, replacing the 24x base exit with 18x turns the already weak 1.34% base IRR into roughly -3.81%, even before removing modeled distributions. The thesis is therefore price-sensitive in the wrong direction: execution can succeed and shareholder returns can still disappoint.

Conclusion

Eaton is a high-quality industrial operator carrying extraordinary expectations. The Production ER2 package is internally reconciled, independently reviewed and complete, but it does not earn a positive recommendation at USD 415.20. The price requires more EPS than even the bull operating model produces at the framework's 15x test; the audited base return is only 1.34% gross USD and 1.09% net SGD. PASS is the governed conclusion, with no sizing and no trade authority.

Eaton Corporation plc (ETN) - Institutional Company Primer

Information cutoff: 2026-08-02 10:04:05 SGT **Financial anchor:** Q2 FY2026; TTM ended 2026-06-30; exact five-year horizon 2031-06-30 **Quantitative control:** `quant_foundation.md` and QFR-sealed quote/statutory packets only **Research boundary:** research only; `trade_execution_authorized=false`

1. Business overview

Eaton is best understood as a portfolio of engineered power-management franchises rather than as a generic diversified industrial company. Its products sit in the physical systems that generate, transmit, distribute, condition, control, protect, and consume power. That includes circuit breakers and switchgear in buildings, power-distribution equipment for utilities and data centers, uninterruptible power supplies and connectivity products, hydraulic and fuel systems on aircraft, and drivetrain or high-voltage components in vehicles. The common customer problem is reliability: electricity, fluid power, fuel, or mechanical power must arrive where needed, at the correct quality, without damaging people or equipment and with minimal downtime.

The electrical businesses address several layers of the power chain. At the grid and utility layer, Eaton supplies equipment used to distribute and protect power. Inside a data center, factory, hospital, office building, or home, it supplies assemblies and devices that step down, route, monitor, and interrupt electrical current. The value proposition is not merely the metal and electronics in a cabinet. Customers are buying system uptime, safety certification, engineering compatibility, installation speed, lifecycle support, and confidence that replacement parts and technical service will remain available. Those attributes matter most in mission-critical installations, where the economic cost of failure can dwarf the purchase price.

Customers buy Eaton through a mixed route to market. Electrical products often move through distributors, resellers, and manufacturers' representatives, while larger systems and engineered solutions are sold directly to original equipment manufacturers, utilities, project owners, contractors, and other end users. This creates two complementary selling motions. Standardized components can benefit from broad channel availability and installed-base familiarity. Complex projects require application engineering, specification work, configuration, testing, and coordination with the customer's construction or production schedule. The latter motion can lengthen sales cycles but also embeds Eaton earlier in a project and makes delivery execution more important than catalogue price alone.

Aerospace is an engineered-platform and aftermarket business. Eaton supplies fuel, hydraulic, pneumatic, motion-control, fluid-conveyance, mission, interconnect, and filtration technologies. Aircraft manufacturers and government or defense customers buy equipment for new platforms; airlines, maintenance providers, and other operators buy replacement parts and service over the platform's long life. Qualification, certification, reliability records, and design integration create long product cycles. Mobility, by contrast, supplies drivetrain, transmission, clutch, engine, vehicle-control, circuit-protection, inverter, converter, and power-distribution technologies to vehicle OEMs and aftermarket customers. It serves internal-combustion, hybrid, and electric architectures, but is more exposed to vehicle production cycles, customer concentration, and annual pricing pressure than the best electrical or aerospace niches.

The portfolio is in transition. Eaton has completed acquisitions that extend its electrical offering from grid connection toward modular power infrastructure and liquid cooling for data centers, and it has added aerospace electronic-control capability. At the same time, it has agreed to separate Mobility and combine it with Dana through a Reverse Morris Trust transaction expected to close in the first quarter of 2027, subject to approvals and closing conditions. The strategic direction is therefore clear: a more concentrated Electrical-and-Aerospace Eaton, with more exposure to electrification, data-center buildout, infrastructure modernization, and aerospace demand, but also more acquisition leverage and integration risk.

2. Revenue architecture

The current reporting taxonomy has four segments: Electrical Americas, Electrical Global, Aerospace, and Mobility. FY2025 is the latest completed fiscal year; the current operating base is the TTM ended 2026-06-30. The figures below come only from the sealed quantitative foundation. Segment operating profit is Eaton's issuer-disclosed segment measure and is not identical to statutory consolidated operating income.

Segment	FY2025 revenue	FY2025 share	TTM revenue	TTM share	TTM segment operating profit	TTM margin
Electrical Americas	$13,276m	48.4%	$14,467m	48.2%	$4,091m	28.3%
Electrical Global	$6,815m	24.8%	$7,916m	26.4%	$1,543m	19.5%
Aerospace	$4,249m	15.5%	$4,552m	15.2%	$1,129m	24.8%
Mobility	$3,109m	11.3%	$3,092m	10.3%	$409m	13.2%

Segment	FY2025 revenue	FY2025 share	TTM revenue	TTM share	TTM segment operating profit	TTM margin
Total / rounded segment sum	$27,449m	100.0%	$30,027m	100.0%	$7,172m	23.9%
Consolidated revenue	$27,448m	-	$30,026m	-	-	-

The one-million-dollar differences between rounded segment sums and consolidated revenue are issuer rounding, not balancing items. The architecture is economically concentrated despite four labels: the two electrical segments together represent roughly three quarters of revenue and an even larger share of segment profit. Electrical Americas is the largest and highest-margin unit, while Mobility is the smallest and lowest-margin. Separation therefore removes less than its revenue share of segment profit and increases the relative importance of electrical execution.

Electrical Americas

Electrical Americas includes electrical components, industrial components, power-distribution equipment and assemblies, residential products, power-quality and connectivity products, wiring devices, circuit protection, utility distribution and reliability equipment, and services produced and sold primarily in North and South America. The customer set spans commercial and institutional buildings, data centers and distributed IT, industrial facilities, utilities, residential construction, and machinery manufacturers. This is not one homogeneous market: a circuit breaker sold through distribution has different ordering behavior from a configured power module for a hyperscale data center. What binds the portfolio is the need to manage and protect electrical loads under local codes and project specifications.

The segment's economics reflect scale, channel breadth, technical specification, and a richer mix of mission-critical systems. Eaton can sell individual components, integrated assemblies, monitoring, and services into the same project. Fibrebond's pre-integrated modular enclosures deepen this systems role by moving assembly and testing off-site, which can shorten customer deployment and simplify site work. Electrical Americas' high TTM margin indicates that value capture is strongest where product availability, engineering support, installed-base familiarity, and capacity are scarce relative to demand. It is also the segment most exposed to North American data-center construction, utility investment, reindustrialization, and large projects.

Electrical Global

Electrical Global supplies electrical components, power distribution, assemblies, power quality, and services primarily outside the Americas, plus globally sold hazardous-duty equipment, emergency lighting, fire detection, explosion-protected instrumentation, and structural support systems. Its end markets resemble Electrical Americas but its geographic mix, product mix, channel structure, and manufacturing footprint differ. Local standards, currencies, industrial conditions, and regional construction cycles matter more. Boyd Thermal is reported in this segment, adding liquid-cooling technology and a global manufacturing base serving data centers, aerospace, industrial, and other end markets.

The segment is now more than a geographic complement to the Americas business. It is the reporting home for a strategically important cooling platform that expands Eaton's data-center offer from electrical power delivery toward thermal removal closer to computing equipment. The combination could raise the value per data-center project and improve customer relevance. It could also complicate comparison of organic performance, increase intangible amortization, and introduce a manufacturing and engineering model that must be integrated without losing customer speed.

Aerospace

Aerospace sells to commercial and military aircraft manufacturers, space and defense customers, aftermarket participants, and industrial filtration users. Its products include hydraulic power generation, pumps, motors, valves, actuators, sensing and electronic controls, flap and slat systems, steering, hoses, fittings, ducting, fuel pumps and valves, refueling systems, oxygen systems, payload carriage, thermal management, and high-performance interconnects. The breadth is meaningful because the business can participate in multiple subsystems on a platform rather than depending on a single component family.

Revenue has three economic streams: original-equipment content on new aircraft, replacement and service demand from the installed fleet, and industrial or other applications. Original-equipment revenue benefits from production ramps but may face development spending and demanding customer negotiations. Aftermarket revenue tends to have stronger mix and greater resilience because certified parts and maintenance needs recur throughout an aircraft's service life. Ultra PCS adds electronic-control capabilities and broadens participation in next-generation aerospace systems. The key investor question is whether platform growth and aftermarket mix can offset commodity and wage inflation while preserving delivery quality.

Mobility

Mobility combines the legacy Vehicle and eMobility units. Vehicle products include transmissions and components, clutches, hybrid systems, superchargers, engine valves and actuation, differentials, transmission controls, and fuel-vapor components. eMobility products include high-voltage inverters and converters, fuses, circuit protection, vehicle controls, power distribution, isolation valves, and commercial-vehicle hybrid systems. Customers include heavy-, medium-, and light-duty vehicle OEMs, passenger-vehicle manufacturers, and off-road, agricultural, construction, mining, material-handling, and aftermarket channels.

This mix gives Mobility exposure to both combustion and electrified powertrains, but the transition does not automatically create superior economics. Vehicle programs require engineering and validation, yet large OEM customers retain purchasing power; volumes are cyclical; launch timing and platform wins matter; and weaker programs can tie up capital. Eaton has exited a low-margin light-vehicle business, which illustrates management's willingness to prioritize return over volume but also shows that portfolio repair is still part of the operating story. Until the Dana transaction closes, Mobility remains in Eaton's continuing operations and must be modeled as part of the current TTM base.

Geography

Eaton serves a global customer base, but the revenue architecture is clearly U.S.- and Americas-weighted because Electrical Americas is nearly half of group sales and many large data-center, utility, and reindustrialization projects are located in North America. Electrical Global, Aerospace, and Mobility provide meaningful exposure to Europe, Asia-Pacific, Latin America, and other regions. Geography affects currency translation, local electrical standards, tariffs, labor and commodity costs, and the timing of regional construction or vehicle cycles. The latest annual filing discloses destination-based regional revenue, but those values are not repeated here because this primer's quantitative contract is limited to the sealed foundation.

3. Unit economics: how revenue becomes operating profit

Eaton does not disclose a complete segment gross-margin bridge. Its segment measure subtracts a broad collection of cost of products sold, selling and administrative expense, research and development, depreciation, and certain other items. The most defensible way to frame unit economics is therefore through the disclosed segment operating-profit margins and the operating drivers that move them, not through invented segment gross margins.

Segment	Revenue character	Main direct costs	Positive margin drivers	Main negative sensitivities
Electrical Americas	Components, configured assemblies, engineered systems, services	Metals, electronic components, labor, plant overhead, distribution, engineering	Price, scale, systems mix, channel reach, capacity utilization	Copper and other commodities, wage inflation, project delays, capacity bottlenecks
Electrical Global	Regional electrical products plus global specialized systems and cooling	Materials, electronics, labor, logistics, engineering, acquired-business costs	Global data-center demand, mix, volume, integration synergies	Currency, regional industrial cycles, tariffs, Boyd integration, amortization
Aerospace	Platform equipment, aftermarket parts, industrial filtration	High-spec materials, qualified labor, engineering, testing, certification	Aftermarket mix, platform content, volume, operating leverage	OEM concentration, program delays, quality escapes, wage and material inflation
Mobility	Vehicle components and systems for OEM and aftermarket programs	Metals, electronics, labor, tooling, launch and engineering costs	Program mix, restructuring, efficiency, aftermarket	OEM pricing power, production cycles, electrification timing, separation disruption

Electrical Americas' TTM segment operating margin of 28.3% is the clearest evidence of favorable unit economics. A dollar of revenue benefits from a large installed base, specification influence, distributor access, and scarcity of qualified power equipment in high-demand markets. Incremental project revenue can absorb fixed engineering and factory costs, while value-based pricing can offset input inflation with a lag. The principal risk is that a period of extreme demand encourages capacity additions across the industry, normalizes lead times, or shifts mix toward lower-margin project content. In that environment, price and utilization can reverse at the same time.

Electrical Global's 19.5% TTM margin is lower, consistent with a more varied geographic and product mix. Volume and favorable mix can expand margins, but foreign-exchange movements, local competition, regional factories, and specialized product requirements create friction. Boyd Thermal adds a potentially differentiated solution but also makes reported economics harder to read because acquisition accounting raises amortization and the business must be integrated across customers, engineering, sales, and manufacturing. The long-run test is not whether acquisition revenue grows; it is whether the acquired thermal platform earns attractive returns after the purchase premium and corporate costs.

Aerospace's 24.8% TTM margin reflects certification barriers, highly engineered content, long-lived platforms, and aftermarket economics. Once a product is qualified into an aircraft, switching can be expensive and slow, but that position is earned through years of development, reliability, and customer support. Incremental aftermarket volume can be attractive because recurring parts and service leverage prior design work. Conversely, development overruns, delayed aircraft production, supply-chain shortages, or quality failures can consume margin well before the revenue shortfall becomes obvious.

Mobility's 13.2% TTM margin is structurally lower. Its customers buy large program volumes and can exert price pressure; factories and tooling are program-specific; and revenue depends on vehicle production. Operating efficiencies can lift margin, but commodity and wage inflation can absorb much of the benefit. Legacy Vehicle profitability also masks weaker eMobility economics in the historical mix. Separation may improve the remaining Eaton margin profile, yet it does not by itself improve the intrinsic economics of the transferred assets.

At consolidated level, segment operating profit cannot be treated as statutory operating income. For the TTM, the $7,172m segment-profit sum is reduced by $646m of intangible amortization, $153m of restructuring charges, and $1,057m of other operating-classified corporate expense to reach $5,316m of statutory operating income. Interest and below-line items then reduce pretax income further. This bridge matters because acquisitions can look attractive on segment results while increasing amortization, integration charges, corporate expense, and interest below the segment line.

4. Customers, end markets, and demand formation

Electrical demand is project- and installed-base-driven. A utility upgrade, data-center campus, factory expansion, hospital renovation, or residential development creates an equipment bill of materials that may include power distribution, protection, monitoring, backup power, connectivity, and service. Eaton can enter the demand chain through consulting engineers and specifications, contractors and panel builders, distributors, direct utility relationships, or end users. Firm backlog provides visibility, but it is not the same as irreversible revenue: project schedules can move, designs can change, and customer capacity plans can be revised.

Data centers are especially important because AI compute increases both power density and cooling requirements. Eaton's portfolio can address grid interconnection, medium- and low-voltage distribution, switchgear, backup and quality systems, modular enclosures, and now liquid cooling. The strategic attraction is a larger addressable scope per site and greater ability to coordinate power and thermal systems. The risk is correlation: the same AI infrastructure cycle that lifts orders across several product families can also create a synchronized air pocket if hyperscale capital spending, utility interconnection, or construction timing slows.

Utility and infrastructure demand is driven by load growth, replacement of aging equipment, grid resilience, renewable interconnection, and distributed energy. Machinery and industrial demand depends more on factory investment and production cycles. Commercial, institutional, and residential end markets respond to construction, financing conditions, regulation, and local inventories. Eaton's breadth dampens exposure to any one category but does not remove the common dependence on capital formation and electrification spending.

Aerospace demand forms at two speeds. New-platform and original-equipment orders follow aircraft production, defense procurement, and program content. Aftermarket demand follows flight activity, fleet age, maintenance intervals, and the installed base. A balanced portfolio is valuable because production ramps can be uneven while aftermarket requirements persist. Customer concentration remains material at the segment level even though the filing does not identify any single customer as individually material at consolidated level.

Mobility demand follows vehicle production, platform share, powertrain mix, emissions and efficiency regulation, and customer inventory. Program awards can create multi-year revenue but also lock in commercial terms. Electrification changes the content opportunity rather than guaranteeing higher profit; the company must win the correct architectures at economic prices and avoid stranded investment in slow-adopting platforms.

5. Value chain and competitive position

Business	Eaton's position in the chain	Customer's switching friction	Representative competitive set	Basis of competition
Electrical	Components through integrated power distribution, protection, quality, modular infrastructure, and cooling	Specifications, certifications, installed base, lead time, service network	Schneider Electric, Siemens, ABB, Vertiv, Hubbell, GE Vernova and focused regional suppliers	Reliability, system performance, technology, availability, support, price

Business	Eaton's position in the chain	Customer's switching friction	Representative competitive set	Basis of competition
Aerospace	Qualified subsystem and component supplier to OEM platforms and aftermarket	Requalification, certification, platform redesign, reliability record	Parker-Hannifin, Collins Aerospace, Honeywell, Safran, Moog and specialist suppliers	Total cost of ownership, quality, design capability, delivery, lifecycle support
Mobility	Tier supplier of drivetrain and high-voltage power-management systems	Program validation, tooling, integration and switching cost	Dana, ZF, BorgWarner, Cummins, Allison and product-specific suppliers	Performance, technology, global service, cost and launch execution

The electrical value chain starts with raw materials and electronic components, moves through engineered components and factory assemblies, and ends in distribution, installation, commissioning, monitoring, and service. Eaton's advantage is strongest when it can combine products into a qualified architecture and help a customer deploy faster or operate more reliably. Its position is weaker where products are standardized, alternative suppliers are qualified, or the channel can substitute brands based mainly on availability and price. Scale matters because customers want global support and distributors prefer broad product coverage, but local codes and relationships prevent the market from becoming purely global.

Aerospace competition centers on design-in positions. Suppliers invest in engineering and certification before and during a platform launch, then attempt to recover that investment over original-equipment and aftermarket revenue. Switching a certified subsystem can require engineering work, testing, regulatory review, and downtime risk, creating durable positions. The offset is customer power: major airframers and defense customers are sophisticated buyers, program delays can be lengthy, and suppliers may bear cost inflation or development risk.

Mobility occupies a more contested part of the value chain. OEMs set platform architecture, negotiate annual productivity, and control production schedules. Eaton can differentiate through efficiency, durability, controls, and system integration, but competitors may offer adjacent drivetrain or electrification content. Combining Mobility with Dana could create broader scale and content, although transaction completion and post-close integration remain uncertain. The competitor names above are analyst mappings of overlapping portfolios, not company-disclosed market-share claims.

6. Growth drivers

Electrification and grid modernization. Electricity demand is rising as transportation, industrial processes, building systems, and digital infrastructure add load. Utilities must expand and harden distribution networks while customers invest behind the meter. Eaton participates in both the upstream distribution layer and the downstream building or facility layer. This is a long-duration opportunity, but growth will arrive unevenly because permitting, interconnection, labor, and equipment capacity can delay projects.

AI-driven data-center power and cooling. The latest primary-source results show continuing strength in electrical orders and backlog, with data centers a central driver. Eaton is expanding from power distribution and quality into modular infrastructure through Fibrebond and liquid cooling through Boyd Thermal. If customers increasingly prefer integrated grid-to-chip solutions, Eaton can capture more content per project. The invalidation would be sustained order deceleration, cancellations, pricing pressure, or poor execution that causes customers to multi-source away from Eaton.

North American reindustrialization and megaprojects. New factories, semiconductor facilities, battery plants, energy projects, and other large sites need substantial electrical infrastructure. Eaton benefits before a facility begins production because electrical distribution is part of construction. The opportunity can be constrained by engineering labor, utility interconnection, and construction schedules; announced projects are therefore not equivalent to secured revenue.

Aerospace production and aftermarket. Commercial aircraft production, defense spending, flight activity, and aging fleets support demand for original equipment and replacement parts. Ultra PCS adds electronic controls that may increase content on future platforms. The key operating variables are supply-chain performance, platform schedules, customer qualification, and aftermarket mix.

Portfolio concentration and cross-selling. Separating Mobility increases the concentration of the remaining company in higher-margin Electrical and Aerospace franchises. Acquisitions widen the offer within those franchises. Cross-selling is credible where the same customer buys power distribution, modular deployment, and cooling, or where aerospace controls complement existing subsystem positions. It should not be assumed automatically: sales incentives, product road maps, engineering ownership, systems interoperability, and customer trust determine whether strategic adjacency becomes realized revenue.

Installed-base service and replacement. Electrical protection equipment, aircraft components, and other mission-critical products require inspection, replacement, upgrades, and service. An installed base can improve resilience and deepen customer relationships. Eaton's disclosure is not sufficient to model a subscription-like recurring-revenue stream, so the primer treats service and aftermarket as supportive economics rather than as a separately quantified annuity.

7. Capital intensity, cash conversion, and working capital

Metric	FY2023	FY2024	FY2025	TTM / 2026-06-30
Revenue	$23,196m	$24,878m	$27,448m	$30,026m
Operating cash flow	$3,624m	$4,327m	$4,472m	$4,950m
Capital expenditure	$757m	$808m	$919m	$1,016m
Free cash flow	$2,867m	$3,519m	$3,553m	$3,934m
Capex as percentage of revenue	3.3%	3.2%	3.3%	3.4%
Free-cash-flow margin	12.4%	14.1%	12.9%	13.1%

The core portfolio is not exceptionally capital-intensive in accounting terms: TTM capex was 3.4% of revenue. Yet physical capacity still matters. Switchgear, power modules, cooling systems, aerospace components, and vehicle parts require factories, specialized equipment, qualified labor, testing, and supplier capacity. A low capex-to-sales ratio can coexist with long lead times if demand outruns installed capacity or if bottlenecks sit at suppliers. Conversely, aggressive capacity expansion can reduce returns if the order cycle cools after projects are completed.

TTM free cash flow of $3,934m was 102.6% of net income and represented a 13.1% margin. That indicates healthy cash conversion, but working capital is a meaningful swing factor. Project growth requires inventory, receivables, and sometimes unbilled contract assets before cash collection. The latest filing describes milestone billing and revenue recognized over time for some power-distribution, power-quality, and customer-funded aerospace development arrangements. Strong backlog can therefore consume cash during a ramp even when the eventual economics are attractive.

Acquisitions have changed the balance-sheet profile. Gross debt excluding leases rose from $9,895m at FY2025 to $20,611m at 2026-06-30, while cash and short investments totaled only $695m, producing $19,916m of net debt on the sealed definition. This does not imply immediate liquidity stress, but it raises the cost of integration mistakes and makes debt reduction more important. TTM interest expense increased to $445m, and acquisition-related intangible amortization is already material in the statutory bridge. Investors should therefore evaluate return on invested capital using the purchase price and all below-segment costs, not just acquired revenue growth or adjusted earnings.

8. Acquisition, integration, and Mobility separation context

Eaton's recent transactions form a coherent strategic pattern. Fibrebond, completed in April 2025 and housed in Electrical Americas, designs pre-integrated modular power enclosures. The asset helps Eaton package equipment off-site and deliver a more complete power-infrastructure module to data-center, utility, industrial, and communications customers. Resilient Power Systems, completed in August 2025, adds solid-state transformer technology that could become relevant to higher-density power conversion and energy storage. Both acquisitions deepen electrical distribution rather than taking Eaton into unrelated markets.

Ultra PCS, completed in January 2026 and reported in Aerospace, adds electronic controls for aerospace applications. The strategic logic is greater electronic and control-system content alongside Eaton's mechanical, hydraulic, fuel, conveyance, and mission-system positions. The execution test is whether Eaton retains specialized engineering talent, wins platform content, and integrates quality and program-management systems without slowing customer development.

Boyd Thermal, completed in March 2026 and reported in Electrical Global, is the largest and most consequential addition. It supplies thermal components and systems, including liquid cooling relevant to dense computing. The strategic promise is an integrated data-center offer spanning power and cooling. The principal risk is that strategic adjacency is mistaken for economic synergy. Power and thermal buying centers may overlap but are not identical; technology road maps change quickly; and the purchase created a large increase in debt and amortizable intangible assets. Success should be judged by customer wins that use both portfolios, retention of engineering leadership, margin and cash conversion after integration costs, and debt reduction-not by reported acquisition revenue alone.

Mobility follows the opposite path. Eaton first announced an intended separation and then entered a definitive agreement to combine Mobility with Dana through a Reverse Morris Trust. The transaction is expected to close in the first quarter of 2027, subject to shareholder, regulatory, and customary conditions. Until closing, Mobility remains a reportable Eaton segment and its results remain in continuing operations. This distinction is critical: analysts should not remove its revenue, profit, capital, or corporate costs prematurely.

After closing, the remaining Eaton should have a higher electrical-and-aerospace mix and a higher reported segment-margin profile. However, separation accounting can create stranded corporate costs, one-time charges, tax and financing complexity, and ambiguity over which liabilities and shared services move. Eaton also expects cash proceeds that can support debt repayment, but the exact use and net benefit depend on closing adjustments and capital allocation. The combined Dana-Mobility company may benefit from scale and complementary drivetrain content, while Eaton shareholders retain an economic interest through the transaction structure. None of those benefits should be treated as realized before closing.

9. Risks and thesis invalidation tests

Risk	Why it matters	Observable invalidation signal
Data-center cycle and concentration	Electrical demand and recent acquisitions increasingly depend on AI and hyperscale infrastructure	Sustained order and backlog decline, cancellations, lower pricing, or weaker book-to-bill across both electrical segments
Capacity and execution	Customers value reliable delivery; shortages can defer revenue and damage specification positions	Lead-time deterioration, repeated project delays, quality problems, or customer dual-sourcing
Commodity and wage inflation	Metals, electronics, specialized labor, and logistics are meaningful inputs	Multiple quarters in which price and productivity fail to offset inflation
Boyd integration and purchase economics	Large debt and intangibles raise the hurdle for acquired returns	Weak cross-selling, talent losses, margin dilution, poor cash conversion, or slow deleveraging
Aerospace program and supply chain	Qualification barriers protect positions but amplify the cost of failure	Quality escape, certification delay, production shortfall, or loss of platform content
Mobility separation	Pending transaction creates operational, legal, tax, and stranded-cost risk	Delayed or failed closing, higher stranded costs, or deterioration in Mobility customer retention
Working-capital absorption	Growth in engineered projects can precede billing and collection	Cash conversion weakens despite profit growth; inventory and unbilled assets rise faster than sales
Customer bargaining power	Large electrical, aerospace, and vehicle customers can negotiate aggressively	Margin compression concentrated in major accounts or adverse contract resets
Regulation, tariffs, and localization	Global factories and supply chains must meet local rules and trade policy	Material redesign, duplicated capacity, tariff costs, or delayed approvals
Accounting gap between segment and statutory profit	Adjusted or segment growth can obscure amortization, interest, and corporate costs	Segment profit rises while statutory EPS and free cash flow fail to follow

The most important invalidation test is consolidated rather than product-specific. Eaton's strategy works only if strong electrical and aerospace demand converts into statutory earnings and free cash flow after integration costs, amortization, interest, working capital, and separation expenses. A continuing gap between segment operating-profit growth and statutory cash economics would weaken the case even if management continues to report robust organic growth.

The second test is durability. The current environment combines genuine secular demand with possible cyclical excess. Data-center construction, utility modernization, and aerospace recovery can all be long-lived, but backlog growth at extraordinary rates should not be extrapolated indefinitely. Durable compounding requires Eaton to preserve specification positions and pricing as capacity normalizes, not merely to ship into today's shortages.

10. What an investor should retain

Eaton's center of gravity is electrical power management, and the economic quality of that franchise is visible in Electrical Americas' scale and margin. Aerospace adds a second high-quality pillar with platform and aftermarket characteristics. Mobility is economically and strategically different and is on a defined path to separation, but it remains part of the current financial base until the transaction closes.

The company is moving toward a more focused portfolio while simultaneously taking on substantial integration and leverage risk. Fibrebond, Resilient, Boyd Thermal, and Ultra PCS all extend existing customer problems rather than diversify away from them. That coherence is a positive. The price paid, the debt added, the statutory amortization and interest burden, and the operational complexity mean coherence alone is not enough. The investment outcome depends on converting adjacency into cross-selling, maintaining delivery and product quality, and paying down acquisition debt without starving organic capacity.

Finally, Eaton should be analyzed through two lenses at once. The business lens emphasizes mission-critical products, engineering qualifications, channel reach, installed bases, backlog, and secular electrification. The accounting lens insists that $7,172m of TTM segment operating profit is not $7,172m of statutory operating income; corporate charges, amortization, restructuring, and interest materially reduce what belongs to shareholders. Any rigorous forecast must preserve that sealed bridge.

11. Source notes and data discipline

All financial figures and ratios in this primer derive from `quant_foundation.md`, whose controlling anchor is the TTM ended 2026-06-30. The exact quote packet SHA-256 is `de87e41d84b51ab60c3074ba85b035cec205811cfe46370f8b760c4bd0cf01e5`; the statutory bridge SHA-256 is `93a3c2f30d336f1f1455c8b247ac73eeb012e1eb1840cb936ff7edcc7f0af923`. The live FMP Q1 FY2026 Mobility defect documented in the foundation is not used here. The incomplete `data_package.md` was not used.

Qualitative business descriptions, routes to market, customer concentration, competitive dimensions, and acquisition context were checked against Eaton's [2025 Form 10-K](https://www.sec.gov/Archives/edgar/data/1551182/000155118226000007/etn-20251231.htm) and [Q2 2026 Form 10-Q](https://www.sec.gov/Archives/edgar/data/1551182/000155118226000030/etn-20260630.htm). Current demand, segment commentary, and guidance context were checked against the [Q2 2026 earnings release](https://www.sec.gov/Archives/edgar/data/1551182/000155118226000027/etn06302026exhibit99.htm). Mobility transaction structure and strategic rationale were checked against Eaton's [June 2026 Dana transaction release](https://www.eaton.com/us/en-us/company/news-insights/news-releases/2026/eaton-mobility-group-enters-agreement-to-combine-with-dana.html). Fibrebond and Boyd strategic descriptions were checked against Eaton's [Fibrebond completion release](https://www.eaton.com/us/en-us/company/news-insights/news-releases/2025/eaton-completes-acquisition-of-fibrebond.html) and [Boyd Thermal completion release](https://www.eaton.com/us/en-us/company/news-insights/news-releases/2026/eaton-completes-acquisition-of-leading-liquid-cooling-solutions-provider-boyd-thermal.html).

Third-party market-size or market-share estimates were deliberately excluded. Representative competitor names are analytical mappings based on overlapping product portfolios; they are not assertions of disclosed Eaton market share. This primer is orientation for the institutional reader, not a substitute for the sealed quantitative foundation or the downstream segment models.

Eaton Corporation plc (ETN) - Management Assessment

Research date: 2026-08-02 **Financial anchor:** Q2 FY2026; TTM ended 2026-06-30 **Management gate: YELLOW Scope:** Research only. `trade_execution_authorized=false`.

Executive assessment

Eaton has an orderly succession, an independent board structure, unusually consistent quarterly guidance delivery, and a coherent strategy centered on Electrical and Aerospace. Those are real strengths. The hard question is no longer whether management can operate the inherited Eaton portfolio; it is whether a recently installed CEO and CFO can earn an adequate return on the roughly $11.1 billion Boyd Thermal and Ultra PCS acquisitions while gross debt has risen from $9.895 billion at FY2025 to $20.611 billion at June 2026. The answer is not yet observable. Management has offered attractive deal claims-Boyd growth, year-two adjusted EPS accretion, returns above the cost of capital, and cross-selling-but the statutory cost is already visible in higher interest, amortization, and transaction expense, whereas a post-integration ROIC record is not.

That evidence fits **YELLOW** exactly. Paulo Ruiz has been CEO only since June 2025, Dave Foster became CFO in March 2026, the largest acquisition closed in March 2026, and the Mobility separation changed from a planned spin-off to a Dana Reverse Morris Trust before completion. There is no evidence of fraud, chronic dilution, a controlling shareholder, poor guidance credibility, or serial unrelated M&A that would justify FAIL. There also is not enough seasoned, through-cycle evidence under the current team to say we would follow it for a decade without conditions.

1. Who is running Eaton

Chief executive officer. Paulo Ruiz became CEO on June 1, 2025, after serving as Eaton president and COO from September 2024. He joined Eaton in 2019, led Hydraulics, Energy Solutions and Services, and then the Industrial Sector. Before Eaton he spent more than 18 years at Siemens, including as CEO of Dresser-Rand and head of high-voltage products. He therefore is new as public-company CEO but not new to Eaton, power infrastructure, industrial operations, or portfolio management. The decisions he clearly owns or co-owns include the 2030 “Lead, Invest, Execute” strategy, the Boyd Thermal and Ultra PCS acquisitions, the accelerated Electrical Americas capacity program, and the Mobility separation. [Eaton biography](https://www.eaton.com/content/dam/eaton/company/news-insights/media-gallery/paulo-ruiz-bio.pdf)

Chief financial officer. Dave Foster became executive vice president and CFO effective March 2, 2026, succeeding Olivier Leonetti in a planned transition. The official effective date controls over the April 1 date stated in the data package. Foster returned after 29 years at Eaton across FP&A, controllership, corporate development, treasury, M&A, and Industrial Sector finance. That is strong company-specific experience, but his record as CFO covers only two reported quarters. [Appointment release](https://www.eaton.com/us/en-us/company/news-insights/news-releases/2026/eaton-announces-david-foster-as-executive-vice-president-and-chi.html)

Operating leaders. Heath Monesmith leads the global Electrical Sector, including regional electrical businesses and the data-center and global energy-infrastructure organizations. Mike Yelton has led Electrical Americas since April 2023 and has been at Eaton since 1993. Pete Denk has led the Industrial Sector since January 2025, covering Aerospace and Mobility, and assumed enterprise operations and supply-chain responsibility in March 2026. Antonio Galvao, a 38-year Eaton veteran, has led Mobility since January 2025 and is the key execution owner for the separation. This bench is internally developed and operationally experienced; the risk is simultaneous capacity expansion, acquisition integration, and separation workload, not a lack of industrial knowledge. [Current leadership](https://www.eaton.com/us/en-us/company/about-us/leadership-team/corporate-officers.html)

Board accountability. Gregory Page became non-executive chairman when the CEO and chair roles were separated in June 2025. The 2026 proxy reported 11 of 12 then-current directors as independent, with Ruiz the sole non-independent director; after one retirement, the board was to have 11 members. Independent directors chair every standing committee other than the executive committee. Page brings CEO and capital-markets experience, but his tenure since 2003 is long and he also serves on Deere and Corteva boards. The long tenure is an entrenchment watch item, partly offset by four new directors in two years, annual elections, 98.8% average board/committee attendance, an overboarding policy, and independent executive sessions. [2026 proxy](https://www.sec.gov/Archives/edgar/data/1551182/000119312526105117/etn-20260312.htm)

2. Tenure and track record

Ruiz has had enough time to own the direction but not enough time to prove its economics. Three decisions matter most.

1. Electrical capacity and portfolio concentration. Eaton has announced roughly $1.5 billion of capacity investments, with FY2026 capex expected near $1.15 billion. Electrical Americas absorbed labor, depreciation, start-up, supply-chain, and weather costs before volume, taking Q1 2026 margin to 25.6%. Management described Q1 as the trough, guided sequential improvement, and delivered 27.5% in Q2, a 190-basis-point sequential gain. This is an early operational proof point, not a completed return cycle. The capacity build spans roughly two dozen projects and must still convert backlog into revenue without normalizing price or utilization eroding returns.

2. Boyd Thermal and Ultra PCS. Eaton paid $9.55 billion net of cash for Boyd on March 12, 2026 and $1.53 billion for Ultra PCS on January 23, 2026. Through June 30, Boyd contributed $524 million of sales and $121 million of segment operating profit; Ultra contributed $111 million and $31 million. Their combined acquired segment margin was approximately 23.9%, a promising starting point. It is not acquisition ROIC: the calculation excludes purchase-price funding, corporate integration costs, amortization, and the opportunity cost of $11.08 billion. H1 acquisition, divestiture, integration, and related transaction costs were material, and gross debt increased by $10.716 billion from year-end. The live FY2025 FMP key-metrics series showed Eaton ROIC improving from 7.4% in FY2021 to 13.1% in FY2025 under the vendor definition-good improvement, but below Gideon's 20% compounder aspiration and measured before the 2026 deals.

3. Mobility separation. Management first announced a Q1 2027 spin-off, then negotiated a Dana Reverse Morris Trust under which Eaton shareholders should own at least 50.1% of the combined company and Eaton expects an approximately $1.1 billion pre-close cash distribution. The pivot is strategically sensible: Mobility has lower growth and margins than Electrical and Aerospace, and the RMT may preserve shareholder participation while providing cash for debt reduction. It is not yet a realized win. Closing, tax treatment, stranded corporate costs, debt allocation, customer retention, and the combined company's valuation remain open. [Dana transaction release](https://www.eaton.com/us/en-us/company/news-insights/news-releases/2026/eaton-mobility-group-enters-agreement-to-combine-with-dana.html)

An earlier decision offers some favorable evidence. Fibrebond, acquired for $1.43 billion in April 2025 while Ruiz was president and COO, generated $474 million of sales and $156 million of segment operating profit through FY2025, roughly a 32.9% segment margin. That supports Eaton's ability to integrate an adjacent electrical asset, although Fibrebond is far smaller and less technologically exposed than Boyd.

3. Capital allocation behavior

The five-year allocation record from data-package Section 7 is summarized below. M&A is net cash paid; negative values denote net proceeds.

Year	Capex ($B)	R&D ($B)	Buybacks ($B)	Dividends ($B)	Net M&A cash paid ($B)
FY2021	0.575	0.616	0.122	1.219	1.495
FY2022	0.598	0.665	0.286	1.299	0.621
FY2023	0.757	0.754	0.000	1.379	(0.074)
FY2024	0.808	0.794	2.492	1.500	(0.035)
FY2025	0.919	0.796	1.862	1.626	1.410
Five-year total	**3.657**	**3.625**	**4.762**	**7.023**	**3.417**

The pattern was balanced through FY2025: rising organic investment, a progressive dividend, opportunistic portfolio reshaping, and buybacks that more than offset equity issuance. Yet the repurchase record is not demonstrably price-sensitive. Eaton repurchased little in FY2021-2022, none in FY2023, then $4.35 billion across FY2024-2025 as the valuation expanded. Repurchases appear governed more by cash availability than by an explicit intrinsic-value threshold. The decision to suspend 2026 buybacks for Boyd is appropriate and protects credit capacity, but it is reactive to deal financing rather than proof of valuation discipline.

The 2026 shift is much larger than the prior five-year M&A total. Net debt was $19.916 billion at June 2026 versus $9.092 billion at FY2025. TTM free cash flow was $3.934 billion, so Eaton has debt service capacity, but interest expense is rising and goodwill plus intangibles now dominate the balance sheet. Management has said the Boyd financing should preserve the credit rating, has stopped buybacks, and identifies the Mobility distribution as available for debt repayment. It has not disclosed a hard net-leverage target or dated deleveraging schedule. For a purchase this large, that omission matters.

4. Compensation alignment

The compensation architecture is shareholder-aware but incomplete for an acquisition-heavy strategy. The proxy says about 80% of named-executive target compensation is performance-based. Ruiz's 2025 long-term target was $6.0 million: 50% PSUs, 25% RSUs, and 25% stock options. PSUs depend solely on three-year relative TSR and can pay from 0% to 200%. The short-term plan uses adjusted EPS and adjusted operating cash flow plus business and individual objectives. There is no explicit ROIC, economic profit, or leverage metric in the long-term program.

Alignment feature	Assessment
Short-term metrics	Adjusted EPS and adjusted operating cash flow; useful but both can favor adjusted deal accretion
Long-term metrics	50% of LTI in PSUs based on three-year relative TSR; no explicit ROIC or FCF-return hurdle
Time-based equity	25% RSUs and 25% stock options; retention and upside alignment, but not purchase-price discipline
Ownership requirement	CEO 6x salary; CFO and sector COOs 4x salary
Risk controls	Clawback, no hedging or pledging, capped payouts, no option repricing, double-trigger change-in-control vesting

The board did exercise sound discretion in 2025: adjusted EPS and adjusted operating cash flow produced a 96% formulaic short-term payout, but the committee removed acquisition gains, real-estate items, and deferred cash-payment effects and reduced the payout to 70%. That is a meaningful governance positive. The weakness is structural: adjusted EPS excludes acquisition and divestiture charges, restructuring, and intangible amortization, while relative TSR can reward market enthusiasm before acquired ROIC is proven.

Ruiz had 42,616 proxy-reported beneficially owned ordinary shares as of February 1, 2026, plus 1,489 deferred share units. The reported ownership included 15,905 shares acquirable within 60 days through options or vesting, implying about 26,711 already-held shares on the proxy's mechanics. That is real skin in the game, though below founder-like ownership. Companywide pre-tax equity compensation was approximately $101 million, $97 million, $97 million, $108 million, and $126 million in FY2021-FY2025, respectively, or about 0.4-0.5% of revenue each year. Dilution is disciplined, not chronic.

5. Disclosure quality and candor

The eight-quarter window is Q3 FY2024 through Q2 FY2026. Live FMP produced seven transcripts through Q1 FY2026; the Q2 FY2026 endpoint returned an empty array twice, so Q2 is assessed from the filed release and 10-Q rather than an invented transcript.

Guidance discipline is strong. Adjusted EPS was above the high end in Q3 2024, near the high end in Q4 2024, above midpoint in Q1 2025, at the high end in Q2 and Q3 2025, at midpoint in Q4 2025, $0.06 above midpoint in Q1 2026, and $3.15 in Q2 2026 versus a prior $3.00-$3.105 range. Q2 organic growth of 14% and 23.1% segment margin also exceeded the prior 9-11% and 22.6-23.0% ranges. This is 8/8 meet-or-beat evidence, not a pattern of credibility misses. [Q2 2026 filed release](https://www.sec.gov/Archives/edgar/data/1551182/000155118226000027/etn06302026exhibit99.htm)

Question handling is usually numerical. On Electrical Americas' Q1 2026 margin pressure, management named capacity start-up, labor, depreciation, input costs, and pricing timing; Foster then gave a 150-basis-point expected Q2 sequential improvement. Actual improvement was 190 basis points. On Boyd, Ruiz stated the asset's 2026 sales expectation, current margin, year-two adjusted EPS accretion, and a return objective above the cost of capital. On the Q3 2025 shipment shortfall, he framed it as less than one day of sales and identified carryover into Q4.

There are selective evasions. When asked what share of Boyd was cold plates, Ruiz discussed competitive positioning and technology trust but did not answer the requested mix. Management also declines customer-concentration detail, does not disclose data-center revenue dollars, Boyd synergy dollars, physical capacity/utilization, a dated leverage target, or expected stranded costs from Mobility. Those are precisely the metrics needed to underwrite the largest strategic risks.

Lexical hedging terms such as "headwind," "weakness," "challenging," and "uncertainty" appeared in all seven available calls. The count is less concerning than the context: management usually paired those words with organic-growth, margin, order, or timing numbers. Substantive hedging was concentrated in two topics-Boyd product/customer mix and post-deal deleveraging-rather than a companywide pattern of obfuscation.

6. Strategic coherence

The 2025 10-K describes Eaton as an “intelligent power management company dedicated to protecting the environment and improving the quality of life.” Its investment pattern matches that purpose. Capacity spending expands electrical bottlenecks; Fibrebond adds modular power enclosures; Resilient adds solid-state transformer technology; Boyd adds liquid cooling; Ultra PCS adds aerospace electronic controls; and Mobility is moving outside the terminal perimeter. This is adjacency-led portfolio concentration, not conglomerate drift. [2025 10-K](https://www.sec.gov/Archives/edgar/data/1551182/000155118226000007/etn-20251231.htm)

The five-to-ten-year destination is clear: a more focused Electrical and Aerospace company with grid-to-chip data-center content, utility and megaproject exposure, and higher aerospace electronic/defense content. Management names supply-chain, input-cost, capacity-ramp, customer technology, and Mobility-cycle risks, but is less direct about competitive market-share evidence and the chance that liquid-cooling economics commoditize. Strategic coherence earns a positive mark; the burden of proof remains the price paid.

7. Governance flags

- **Related parties:** the 2026 proxy states that no reportable related-person transactions occurred from the beginning of 2025 through filing.
- **Control structure:** one ordinary share class; no dual-class or controlling-shareholder structure was identified.
- **Audit and controls:** the FY2025 auditor reported effective internal control over financial reporting; the 10-K did not indicate an error correction or clawback-triggering restatement. No material weakness or recent disclosed SEC enforcement was identified in the proxy, 10-K, or Q2 10-Q.
- **Board tenure:** Page’s 23-year tenure and age 74 reduce freshness, but independent committee control, recent board refreshment, and separated chair/CEO roles mitigate the concern.
- **Insider activity:** live Form 4 data over the last 12 months show several sales, including Ruiz selling 10,707 shares for roughly $4.18 million after exercising older options, Monesmith selling 18,367 shares for roughly $7.51 million, and smaller sales by Yelton, Denk, and Galvao. The reviewed Form 4s were not marked as Rule 10b5-1 transactions. Ruiz retained 27,729 direct shares immediately after the February sale; Monesmith retained 49,822 direct shares plus savings-plan shares. The pattern is material enough to monitor but not a clustered exit from ownership.

8. Peer comparison

Gerben Bakker at Hubbell has the strongest current five-year stewardship proof among practical U.S. electrical peers: CEO since October 2020, a focused utility/electrical portfolio, and a smaller-bite capital-allocation model. Hubbell’s disclosure is simpler and the balance-sheet risk lower, so Bakker ranks above Ruiz on proven per-dollar allocation. Eaton has the stronger independent-chair structure and broader global bench. [Hubbell 2025 annual report](https://investor.hubbell.com/ar2025/board-of-directors/)

Olivier Blum at Schneider Electric and **Morten Wierod at ABB** are, like Ruiz, recently appointed internal CEOs. Blum became CEO in November 2024 after leading Energy Management; Wierod became ABB CEO in August 2024 after leading Electrification and Motion. Both inherit multi-year portfolio transformations. Schneider provides more detailed long-horizon portfolio and sustainability disclosure, while ABB’s decentralized model and recent portfolio pruning create a more conservative capital-allocation comparison. Neither new CEO has a full five-year in-seat record. [Schneider governance](https://www.se.com/ww/en/about-us/company-profile/corporate-governance/) and [ABB biography](https://global.abb/group/en/about/corporate-governance/executive-committee/morten-wierod)

Ruiz therefore ranks **middle of this group**: above peers on near-term guidance accuracy and operational specificity, comparable on succession risk, but behind Bakker on proven tenure and behind ABB on current balance-sheet conservatism. Eaton’s strategic ambition is higher; its present burden of proof is also higher.

9. Management gate verdict

YELLOW

Eaton is investable from a governance and operating-candor standpoint, but management continuity and capital allocation remain unresolved. The CEO has roughly fourteen months in seat, the CFO roughly five months, $11.08 billion of acquisitions have less than two quarters of evidence, leverage has changed sharply, and the Mobility RMT has not closed. Compensation

is disciplined and ownership meaningful, yet the absence of an explicit ROIC metric and the use of adjusted EPS and relative TSR leave a mismatch with the present acquisition risk. A PASS today would credit projected synergies and deal returns before they are earned.

Upgrade to PASS if all are observed:

- Boyd and Ultra PCS produce post-amortization, post-integration cash returns at least 200 basis points above Eaton's cost of capital for four consecutive quarters, without customer or engineering-talent loss.
- Net leverage falls below 2.0x on a consistently defined basis by FY2028, with the Mobility cash distribution used substantially for debt reduction and no sacrifice of core capacity or R&D.
- The Dana RMT closes on or near Q1 2027 terms, the approximately $1.1 billion distribution arrives, Eaton shareholders retain at least 50.1%, and stranded costs and tax leakage remain within disclosed economics.

Downgrade to FAIL if any become persistent or material:

- Boyd requires an impairment, misses its disclosed growth/margin path, or fails to produce integrated power-and-cooling customer wins while leverage remains elevated.
- Net leverage remains above 3.0x beyond FY2027, a rating downgrade occurs, or buybacks resume before credible deleveraging.
- Adjusted EPS continues rising while statutory EPS and free cash flow stagnate because acquisition, amortization, restructuring, or separation costs recur.
- Management repeatedly avoids disclosing acquisition ROIC, leverage, or Mobility stranded-cost evidence after those metrics become observable, or guidance credibility breaks for two consecutive quarters.

Source and method note

Data-package Sections 7 and 9 were used for capital allocation and corporate actions, with quantitative framing cross-checked to the cleared QF and primer. Governance and compensation use the live 2026 DEF 14A; strategy and controls use the live FY2025 10-K and Q2 FY2026 10-Q. Transcripts were pulled live on 2026-08-02 from FMP's stable earnings-call transcript endpoint and archived under `raw/management_20260802/`; no warehouse transcript cache was used. The Q2 FY2026 transcript returned an empty array on an identical retry, so no Q2 call quote is claimed. Insider-trade observations use live FMP Form 4 search results and the linked SEC ownership filings. FMP ROIC is vendor-defined and is used only as a directional historical comparator, not as a statutory acquisition-return calculation.

Eaton Corporation plc - Moat and 2046 Durability

Information cutoff: 2026-08-02 10:04:05 SGT **Current financial anchor:** TTM ended 2026-06-30 **Twenty-year test date:** 2046-08-02 **Research boundary:** research only; `trade_execution_authorized=false`

1. Moat taxonomy applied

Network effects - absent. An additional Eaton customer does not directly make a circuit breaker, switchgear lineup, cold plate, fuel pump, or clutch more valuable to every other customer. There are mild ecosystem benefits: engineers learn a familiar architecture, distributors stock product families that move, and an installed base encourages contractors and service technicians to retain Eaton knowledge. Those are distribution and switching-cost effects, not a true user network. No part of the moat assessment depends on calling them a network effect.

Switching costs - strong in configured electrical systems and aerospace; moderate in standard electrical products; weaker in Mobility. Electrical switching friction begins before purchase. Consulting engineers specify equipment, customers qualify assemblies, contractors design around dimensions and protection schemes, and operators train on maintenance procedures. After installation, compatibility, replacement availability, arc-flash and safety studies, spares, and the downtime risk of change all favor the incumbent. The friction is greatest for integrated, mission-critical power distribution and weakest for catalogue components with multiple approved substitutes. Aerospace is stronger: changing a qualified fuel, hydraulic, actuation, sensing, or mission subsystem can require redesign, testing, regulatory approval, and a new reliability record. Mobility also has program validation and tooling costs, but large vehicle OEMs can use the next platform award to reset suppliers and price. Switching costs therefore protect an installed program more than they protect Eaton's economics at the next bid.

Scale economies and breadth - strong, especially in Electrical Americas. Eaton spans components, distribution assemblies, power quality, controls, modular enclosures, utility equipment, service, and now liquid cooling. That breadth supports application engineering, global sourcing, channel coverage, spares, testing, and simultaneous participation in large projects. A hyperscale or colocation customer can plausibly buy more of the grid-to-chip architecture from one accountable supplier; a distributor can carry a coherent family rather than many unrelated vendors. Scale also supports the current expansion of 24 electrical facilities and lets Eaton fund capacity before smaller competitors can. The caveat is that breadth only becomes a moat when it improves delivery, compatibility, or total cost. It does not prevent Schneider Electric, Siemens, ABB, Vertiv, Hubbell, GE Vernova, Parker-Hannifin, Honeywell, Collins, Safran, Moog, or focused specialists from competing aggressively in individual profit pools.

Brand - moderate as a high-trust industrial credential, not a consumer premium. Eaton's name reduces perceived performance, continuity, and service risk for engineers, distributors, utilities, contractors, airframers, and operators. That trust matters when a failure can interrupt a data center, hospital, factory, grid circuit, or aircraft. It is observable indirectly through the company's position across many product families, high margins, repeat platform participation, and broad channel access. It is not independently quantified as a price premium, and buyers still specify competing brands. “Eaton” is best treated as procurement reassurance that reinforces specification and service, not as a stand-alone moat.

Regulatory and qualification barriers - strong in aerospace and safety-critical electrical; moderate elsewhere. Electrical equipment must satisfy safety, performance, and local-code requirements, while aerospace content faces platform qualification, certification, quality systems, and government-contract obligations. Incumbency does not create a legal monopoly, but it raises the cost and time needed for a new supplier to become approved. These barriers are durable because electricity and aircraft will remain safety-critical even as their architectures change. The main weakness is generational: a new platform, voltage architecture, cooling design, or standard creates a fresh qualification window in which incumbency is less protective.

Intellectual property and patents - supporting, not decisive. Eaton describes patents, trademarks, licenses, trade secrets, and know-how as valuable, but also says that loss or expiry of any single right would not by itself materially affect the company or a segment. That is the correct economic interpretation. The moat is a portfolio of design know-how, application engineering, manufacturing process, qualification evidence, and customer integration rather than one blocking patent. In liquid cooling, rapid design iteration and co-development near the chip may matter more than a static patent. IP reinforces the moat; it is not sufficient on its own.

High-trust procurement, distribution, service, and installed base - strong and central. The most defensible profit pool combines uptime-critical equipment with specification influence, qualified delivery, a broad distributor/service footprint, and lifecycle replacement. Eaton sells through distributors, resellers, representatives, OEM relationships, contractors, direct

project teams, and aftermarket channels. This creates availability and support that a narrow entrant cannot quickly reproduce. Aerospace aftermarket adds a particularly durable installed-base stream, while electrical replacement and service support customer continuity. Eaton does not disclose enough service or installed-base revenue to model a subscription-like annuity, so this analysis treats the effect as real but does not invent a recurring-revenue percentage.

2. Per-segment moat

Electrical Americas

The strongest current moat is the bundle of specification position, distributor reach, breadth from components to engineered systems, application support, installed-base familiarity, and scarce qualified capacity. FY2025 systems revenue was $10.070 billion versus $3.205 billion of products, indicating that the segment is increasingly exposed to configured assemblies and solutions rather than only interchangeable catalogue items. The moat is highly credible for five and ten years; it can last twenty if Eaton remains designed into successive voltage, power-density, grid-edge, and protection architectures. It would break if customers standardize interfaces, qualify more alternative suppliers, or accept lower-cost equipment because lead times normalize. Earliest signals are electrical book-to-bill below 1.0 for several quarters, backlog cancellations, shrinking lead-time premiums, a negative price/cost spread, and margin retreat toward the low-20s despite normal utilization.

Electrical Global

Global has the same core specification, safety, channel, and breadth advantages but a more fragmented regional footprint, more local competitors, and historically lower margins. Boyd Thermal adds a potentially valuable co-development position in liquid cooling: cold plates and cooling distribution units sit close to expensive compute, where failure risk, engineering integration, manufacturing quality, and speed matter. Yet this is a newly acquired, fast-changing franchise with credible specialist and large-platform competition. The legacy electrical moat is ten-year durable; the cooling extension is proven for perhaps five years, not yet for twenty. It breaks if chip or rack OEMs standardize the thermal interface, insource it, or force multiple sourcing that turns cold plates into build-to-print hardware. Watch Boyd customer concentration, cross-portfolio wins, revenue retention after the present ramp, backlog conversion, liquid-cooling margins, engineering attrition, and price pressure.

Aerospace

Aerospace has the most structurally durable moat. Qualification, platform integration, reliability, design engineering, timely delivery, and an installed fleet support OEM and aftermarket economics. The company disclosed that three large aircraft OEM customers were 20% of segment sales in 2025, so customer power is meaningful, but requalification and the operational risk of changing a proven subsystem constrain casual switching. Margin stability around 22-25% across FY2021-TTM supports the claim. The position can endure twenty years if Eaton wins content on new aircraft and defense platforms while preserving quality on the installed base. It breaks through a major quality escape, delivery failure, platform loss, failure to migrate from mechanical/hydraulic content into more-electric architectures, or OEM contractual resets that transfer inflation and development risk to suppliers. Those outcomes would first appear in order growth, platform award disclosures, warranty/quality costs, aftermarket growth, and segment margin.

Mobility

Mobility has program-level switching costs, engineering know-how, and service capability, but its economics are structurally less protected. Large OEM purchasing power, vehicle-cycle volatility, annual productivity demands, architecture changes, and competing drivetrain/electrification suppliers limit pricing. The five-year moat is adequate inside awarded programs; the ten- and twenty-year Eaton moat question is largely moot because the planned Dana Reverse Morris Trust is targeted for Q1 2027. Until closing, it remains in the base and can still create separation, customer-retention, and stranded-cost risk. A delayed transaction, lost programs, or margin falling below the low teens would be the earliest adverse evidence.

Blended durability

The blended company moat is weaker than Electrical Americas or Aerospace viewed alone. TTM revenue mix was about 48% Electrical Americas, 26% Electrical Global, 15% Aerospace, and 10% Mobility. Mobility dilutes quality, while Global includes both durable legacy electrical niches and a newly acquired cooling platform whose peak-cycle economics are untested. The intended Mobility separation should improve the blend. It does not eliminate the central uncertainty: the two electrical businesses now share greater exposure to one physical-infrastructure cycle-data centers-and the unusually high Electrical Americas margin may contain both genuine moat and temporary scarcity rent.

3. Margin persistence evidence

The long history is supportive but not conclusive. Live FMP annual statements supply FY2016-FY2020; official filing values in the cleared data package control FY2021-FY2025 because FMP classifications differ modestly in recent years. Consolidated statutory operating margin rose from 12.5% in 2016 to 19.0% in 2025, with only the pandemic year producing meaningful compression. This is stronger evidence than a single boom year: Eaton exited lower-quality operations, improved mix, and expanded margins across changing macro conditions. However, almost half of the total 650-basis-point improvement occurred after 2022, during tightening electrical capacity and an exceptional data-center/order environment.

Fiscal year	Revenue ($B)	Statutory operating margin	Interpretation
2016	19.747	12.5%	Industrial-cycle baseline
2017	20.404	13.1%	Modest expansion
2018	21.609	13.8%	Scale and mix improvement
2019	21.390	14.3%	Margin held despite flat sales
2020	17.858	13.0%	Pandemic compression, not collapse
2021	19.628	14.6%	Recovery
2022	20.752	15.6%	Inflation absorbed with improvement
2023	23.196	16.7%	Electrical mix strengthening
2024	24.878	18.6%	Exceptional electrical contribution
2025	27.448	19.0%	High watermark, before 2026 acquisition burden

Segment evidence separates durable franchises from the weaker unit. Electrical Americas expanded from 20.6% in FY2021 to 29.9% in FY2025, then eased to 28.3% TTM as capacity-ramp costs and commodity inflation preceded price recovery. Electrical Global remained remarkably stable at 18.4-19.5% across FY2021-TTM despite regional cycles. Aerospace stayed within 21.9-24.8%. Mobility fluctuated between 12.8% and 14.4%. Stability in Global and Aerospace is clean moat evidence; the roughly 900-basis-point Americas expansion is partly evidence of greater systems value and execution, but it has not been tested after industry capacity, data-center lead times, and order growth normalize.

4. AI disruption stress test

Electrical Americas is physical chokepoint economics and AI-platform-adjacent. A foundation model can assist system design, monitoring, predictive maintenance, quoting, and engineering documentation, but it cannot prompt a compliant switchgear lineup, transformer, circuit breaker, modular enclosure, or field service network into existence. AI increases compute power density and grid load, raising the value of reliable power distribution and protection. The risk is indirect: AI could improve competitor design speed, enable standardized digital control layers, and concentrate buying power in hyperscalers that demand interchangeable hardware.

Electrical Global is also a chokepoint, but Boyd is the most AI-cycle-sensitive asset. Liquid cooling is close to the chip and benefits as rack density rises. It is not a replaceable software workflow. Its moat, however, must be re-earned at every accelerated chip and cooling generation through co-design, manufacturing yield, leak-free reliability, speed, and scale. AI does not disintermediate the product; it accelerates the technology cadence and may shorten the useful life of today's design advantage.

Aerospace is the most protected. Flight-critical fuel, hydraulic, actuation, sensing, mission, and interconnect hardware is certified physical infrastructure. AI can improve design, maintenance, and autonomous functions, but qualification, reliability evidence, and platform integration remain the chokepoints. The disruption vector is not prompt-to-output substitution; it is failure to win the next more-electric or digitally controlled platform.

Mobility is the most exposed to technology-driven substitution, though not to foundation models directly. Software-defined vehicles, integrated e-axles, new semiconductor architectures, and OEM insourcing can alter component boundaries. Eaton's controls and power distribution may remain relevant, but legacy drivetrain content can wither. Because Mobility is intended to leave Eaton, this is primarily a transaction and residual-liability issue for the current equity.

5. The 2046 test

Today is 2026-08-02; the exact test date is 2046-08-02. A specific plausible 2046 business description is: Eaton designs, manufactures, integrates, and services medium- and low-voltage power distribution, protection, conversion, backup, thermal management, and digital-control systems for utilities, data centers, factories, hospitals, commercial buildings, transport infrastructure, and distributed-energy networks. It also supplies qualified fuel, actuation, thermal, sensing, power, and mission systems plus aftermarket parts for commercial, defense, and space platforms. Customers are utilities, infrastructure owners, hyperscale and colocation operators, industrial companies, contractors, distributors, airframers, governments, airlines, and maintenance organizations. Electrical Americas and Electrical Global remain the core; cooling is integrated with power architecture rather than treated as a stand-alone cold-plate product; Aerospace is larger in absolute dollars and more electric/electronic; Mobility has left the reporting perimeter.

Directionally, 2046 segment margins are stable to modestly lower than today's exceptional mix: electrical margins remain high but below scarcity-cycle peaks, Aerospace remains in the low-to-mid-20s, and consolidated statutory margin remains around the high teens to approximately 20% after amortization and corporate costs. Eaton still makes money because electricity and flight remain physical, safety-critical systems; equipment must be qualified, delivered, installed, serviced, and replaced; customers value uptime and an accountable architecture; and Eaton retains specification influence, installed-base support, channel breadth, platform qualification, and manufacturing scale. That is a concrete protectable profit pool, not a claim that Eaton will lead whatever technology exists.

2046 bear description. Eaton is then a slower-growth hardware assembler after hyperscalers and equipment platforms standardize power and cooling interfaces, Asian and regional competitors reach equivalent certifications, distributors multi-source interchangeable components, and airframers recapture subsystem economics. Industry capacity built during the 2024-2030 boom produces chronic price competition; Boyd's cold plates become build-to-print hardware; digital control and monitoring migrate to customer or platform software; Eaton retains revenue but electrical margins fall to the mid-teens and Aerospace contracts become less favorable. This is plausible, not the base case. I assign it a meaningful minority probability because large customers already have bargaining power and the current capacity/order cycle is exceptional, but it requires erosion across several reinforcing advantages rather than a single AI breakthrough.

6. Competitive threat inventory

Threat	Mechanism	Segment(s) affected	Earliest observable signal	Plausibility
Capacity normalization and customer multi-sourcing	Competitor and Eaton capacity catches demand; lead times normalize; hyperscalers and contractors qualify alternatives; scarcity price and utilization fall together	Electrical Americas; Electrical Global	Book-to-bill below 1.0; backlog declines/cancellations; shorter lead times; price/cost negative; Americas margin below 25% at normal volume	High over a 5-10 year window
Liquid-cooling commoditization or platform capture	Chip/rack OEMs standardize interfaces, insource designs, or force dual sourcing; large electrical and thermal rivals buy capability; cold plates become build-to-print	Electrical Global / Boyd	Lower win rates; customer concentration rises; cold-plate ASP/margin pressure; weak power-plus-cooling cross-sell; engineering departures	Medium-high
Qualification or execution failure on critical platforms	Quality escape, delivery miss, design-generation loss, or adverse OEM contract reset dislodges an incumbent and impairs trust	Aerospace; safety-critical Electrical	Warranty/recall costs; late deliveries; lost platform awards; aftermarket slowdown; margin compression despite backlog	Medium

7. Pricing power verification

Pricing power is observable but only partially verified. On the live Q1 FY2026 call, management said a negative Electrical Americas price/cost lag from commodity inflation would be more than offset for the full year by pricing implemented on April 1 and additional actions. Q2 Electrical Americas margin then improved 190 basis points sequentially to 27.5%, ahead of the 150-basis-point sequential improvement discussed on the Q1 call. That is consistent with pricing and utilization taking hold, but Eaton did not disclose price realization, customer rejection, churn, or the separate basis-point contribution from price. The evidence therefore supports the ability to reprice, not a precise elasticity claim.

Five-year margins provide stronger verification. Electrical Global held near 18-20% through inflation, Aerospace held near 22-25%, and Electrical Americas expanded materially. Eaton's 10-K nevertheless states that price is a principal competitive factor in electrical and Mobility and warns that price increases can damage market share or distributor/customer relationships. Contract protection is also less than ideal: Eaton reports firm backlog, but many open orders historically remain subject to

customer releases, and public disclosure does not establish broad multi-year minimum commitments or automatic price escalators. Aerospace qualification and aftermarket positions likely offer the strongest realized pricing; catalogue electrical and Mobility are weaker. Overall pricing power is **moderate-to-strong, with incomplete disclosure**, not an unlimited right to raise price.

8. Moat verdict

Moat gate: YELLOW. Eaton has a real, observable moat in specification, qualification, high-trust procurement, distribution/service breadth, installed-base support, and scale; the Aerospace and legacy electrical franchises clearly exceed commodity-hardware quality. YELLOW is required because the largest profit pool-Electrical Americas-has expanded to near-30% margins during an extraordinary capacity and data-center cycle, and the durability of those economics after lead times and industry capacity normalize is not yet observable. Boyd adds a promising but newly acquired, fast-cadence profit pool where competitors are actively buying capability. Upgrade to PASS if, through a normalized demand period, electrical book-to-bill stays near or above 1.0, Electrical Americas holds at least roughly 25% margin without outsized price/capacity scarcity, and Boyd shows sustained margins plus power-and-cooling cross-wins after integration. Downgrade to FAIL if multi-year order/backlog contraction coincides with sustained price/cost weakness and Americas margin falls toward the low-20s, or if cooling standardization destroys Boyd's engineering premium.

2046 test: PASS. The 2046 customer, product, and profit pool can be described specifically: utilities, facilities, compute operators, distributors, contractors, airframers, governments, and fleet operators pay Eaton for qualified physical power, thermal, and aerospace systems whose failure costs exceed procurement savings. Electrical and Aerospace remain relevant under plausible future architectures, while Mobility has exited. The 2046 PASS does not erase the nearer-term cycle question that keeps the overall moat gate YELLOW.

Source and evidence note

Quantitative history and segment definitions come from the QFR-cleared `data_package.md` and sealed foundation. FY2016-FY2020 consolidated history was refreshed live from FMP's `income-statement` stable endpoint on 2026-08-02 and archived as `raw/w_fmp_income_annual_20260802.json`; FY2021-FY2025 official filing values control where recent FMP classifications differ. Competitive methods, customer concentration, intellectual-property language, backlog terms, and risk factors were checked live against Eaton's [2025 Form 10-K](https://www.sec.gov/Archives/edgar/data/1551182/000155118226000007/etn-20251231.htm). Current order, backlog, growth, and margin evidence was checked against Eaton's [Q2 FY2026 filed earnings release](https://www.sec.gov/Archives/edgar/data/1551182/000155118226000027/etn06302026exhibit99.htm). Pricing, capacity, and Boyd commentary was refreshed live from FMP's Q1 FY2026 earnings-call transcript endpoint on 2026-08-02 and archived as `raw/w_fmp_transcript_2026_q1.json`. The completed Electrical Americas segment appendix was read in full and its Sections 4-5 competitive/moat evidence was integrated; still-in-progress segment placeholders were not used.

Electrical Americas - Segment Deep Dive

Company: Eaton Corporation plc (ETN) **Information cutoff:** 2026-08-02 SGT **Forecast anchor:** TTM ended 2026-06-30 **Forecast horizon:** 2031-06-30, exactly five calendar years **Reporting currency:** USD; financial values are USD billions unless stated otherwise **Exact segment profit basis throughout:** `Segment operating profit (loss)` **Authority boundary:** Research only. `trade_execution_authorized=false`. This appendix has no trade, broker, portfolio mutation, messaging, ranking, or sizing authority.

The controlling historical source for Eaton figures in this appendix is the QFR/DR-verified `data_package.md`, backed by `statutory_bridge.json`. The sealed bridge SHA-256 is `93a3c2f30d336f1f1455c8b247ac73eeb012e1eb1840cb936ff7edcc7f0af923`; the sealed quote packet SHA-256 is `de87e41d84b51ab60c3074ba85b035cec205811cfe46370f8b760c4bd0cf01e5`. No Eaton historical financial, guidance, or quote data was re-fetched for this stage.

0. Segment boundary and taxonomy note

Electrical Americas has a stable current boundary across the historical period used here. It includes electrical components, power distribution and assemblies, power quality, connectivity, wiring devices, circuit protection, utility equipment, and services produced and sold primarily in North and South America [data_package section 1, Electrical Americas taxonomy bullet]. Eaton's Q1 2026 reporting change combined Vehicle and eMobility into Mobility; it did not restate Electrical Americas. The 2025 acquisitions of Fibrebond and Resilient Power Systems expanded the segment's economic perimeter, but not its reportable-segment identity. Fibrebond added modular power enclosures and Resilient added medium-voltage solid-state transformer technology [data_package section 9, 2025 acquisition rows]. Consequently, the FY2021-FY2025 segment series is comparable as reported, while organic-versus-acquired interpretation after April 2025 requires care.

The financial model does not place acquisition amortization, restructuring, or corporate other expense inside Electrical Americas. Those are separate operating-bridge lines in the sealed statutory bridge and belong to the later consolidated synthesis. The segment is modeled solely on Eaton's common reportable-segment measure, `Segment operating profit (loss)`.

1. What the segment actually is

Electrical Americas is the part of Eaton that helps customers receive, distribute, protect, condition, connect, and control electrical power across a facility or grid in the Americas. The customer does not ordinarily buy a single undifferentiated box. A utility, data-center developer, commercial building owner, industrial plant, contractor, distributor, or original-equipment manufacturer specifies a chain of equipment: medium- and low-voltage distribution, switchgear and switchboards, circuit breakers, transformers and voltage regulation, uninterruptible power and power-quality equipment, busway, wiring devices, connectors, controls, enclosures, and increasingly modular or engineered assemblies. Eaton can participate at multiple points in that chain.

The verified dollar taxonomy is only two lines. **Products** are standalone components and products; **Systems** are assemblies, distribution, power quality, and services [data_package section 4, Electrical Americas Products and Systems rows]. This is a useful economic distinction even though it is broader than an engineer's product catalogue. Products tend to be shorter-cycle, more channel-intensive, and easier to compare part-by-part. Systems contain more application engineering, configuration, integration, project content, power-quality expertise, services, and customer-specific execution. Systems therefore carry more project scheduling and factory-complexity risk, but also more scope for specification stickiness and bundled value.

The go-to-market is mixed. Standardized components can flow through electrical distributors, contractors, panel builders, and OEM channels. Engineered systems are more likely to involve direct technical selling, consulting engineers, contractors, utilities, hyperscalers, colocation developers, and service teams. Approval lists, installed-base familiarity, safety certifications, short-circuit and arc-flash performance, delivery reliability, and the ability to coordinate equipment across a power train matter alongside nominal purchase price. The customer often faces a much larger economic cost from failure or delay than from a modest price difference in one electrical component.

Data centers are the fastest visible demand driver but not a disclosed dollar subsegment. Eaton reports only growth commentary for data-center revenue and orders, not a revenue amount [data_package section 4, Electrical Americas Data centers and Data-center orders rows]. Utilities, commercial and institutional buildings, industrial facilities, residential construction, distributed energy, and infrastructure are also relevant. At the group level, FY2025 end-market mix was 21% data centers/distributed IT, 20% commercial and institutional, 11% utility, 11% industrial facilities, and 6% residential, but the

data package explicitly gives those as shares of **Eaton group sales**, not Electrical Americas. This appendix therefore uses those figures as exposure context only and does not mislabel them as segment weights.

2. Current economics

Electrical Americas is Eaton's largest reportable segment. Official FY2025 revenue was $13.276B, or 48.4% of Eaton's official consolidated revenue, and `Segment operating profit (loss)` was $3.972B, a 29.9% margin [data_package section 1, current segment table, Electrical Americas row; section 3, Electrical Americas profit and margin rows]. TTM revenue through 2026-06-30 was $14.467B and TTM `Segment operating profit (loss)` was $4.091B, producing a 28.28% margin [data_package section 1, current segment table; section 3a, TTM Electrical Americas segment-profit row]. The TTM profit is not statutory operating income. It is one component of the $7.172B sum of reportable-segment profit that the sealed bridge later adjusts for amortization, restructuring, and corporate other expense.

The latest quarter showed both the strength and the execution tension. Q2 FY2026 revenue was $3.951B, organic growth was 18%, `Segment operating profit (loss)` was $1.088B, and margin on that exact basis was 27.5%; rolling orders rose 41% and backlog rose 33% [data_package self-verification row 1]. Q1 revenue had been $3.600B, growth 20%, margin on that basis 25.6%, orders +42%, and backlog +44% [data_package section 5, Electrical Americas Q1 FY2026 row]. Sequential margin expansion in Q2 supports management's claim that the Q1 trough reflected capacity-ramp pressure rather than permanent economics. Yet Q2 remained below the 29%-30% FY2024-FY2025 margin band, so a full recovery is not proven.

The official FY2025 product/channel split was $3.205B Products and $10.070B Systems [data_package section 4, Electrical Americas Products and Systems rows]. The two rows sum to $13.275B, one million dollars below the rounded segment total. Using the disclosed two-line sum as the denominator, Products represented 24.1% and Systems 75.9%. Systems increased from $7.149B in FY2023 to $10.070B in FY2025, while Products increased only from $2.949B to $3.205B. Most recent mix expansion has therefore come overwhelmingly from systems, consistent with data-center power trains, utility projects, modular equipment, and integrated assemblies having more momentum than standalone components.

Capital intensity is rising, though it remains moderate relative to sales. Segment capital expenditure was $180M, $181M, $309M, $362M, and $413M in FY2021-FY2025, respectively, and $170M in H1 FY2026 [data_package section 0a, segment capital expenditure table, Electrical Americas row]. FY2025 capex was roughly 3.1% of segment revenue. That ratio understates the strategic intensity of the current build because management has announced about $1.5B of North American capacity investments and described more than $1B of group capex, while the segment is simultaneously absorbing Fibrebond and expanding production. The economic cost is not only cash capex: launch inefficiency, hiring, training, duplicate overhead, scrap, logistics, and lower utilization can depress `Segment operating profit (loss)` before incremental revenue is shipped.

Firm backlog provides visibility but is not guaranteed revenue. The electrical-sector backlog rose from $5.0B in FY2021 to $15.3B in FY2025, and Q2 2026 Electrical Americas backlog growth was 33% [data_package section 0a, firm backlog row; section 5, Q2 row]. Eaton defines backlog as firm customer orders but warns that open orders can be subject to customer releases; 69% of total company backlog at FY2025 was targeted for delivery within twelve months [data_package section 0a, backlog discussion]. The model therefore treats backlog as evidence against a sudden demand collapse, not as a contractual five-year revenue schedule.

`[DATA GAP: Eaton does not disclose Electrical Americas physical unit volumes, production capacity, utilization, average selling prices, channel inventory, or named-equipment revenue. The verified search scope and omitted KPI families are documented in data_package section 10.]`

3. Unit economics

The segment converts revenue to profit through a combination of value-based pricing, favorable systems mix, factory utilization, procurement, product design, channel reach, and application engineering. Its products carry material costs such as copper, electrical steel, electronics, molded compounds, fabricated metals, and purchased components. Labor and overhead include engineering, assembly, testing, quality assurance, freight, sales support, and services. The reported segment measure sits after the operating costs Eaton assigns to the segment but before the corporate and statutory bridge adjustments preserved separately in section 3a of the data package.

On the revenue side, price is only one lever. A configured switchgear lineup, modular power enclosure, transformer solution, or power-quality architecture can incorporate more equipment and engineering per project as power density rises. Selling a broader scope raises revenue per customer site even if list prices are unchanged. It can also improve win probability because customers want fewer interface failures among components. Conversely, a shift back toward standardized components can reduce mix and erode the systems-led margin benefit.

On the cost side, capacity utilization is currently the pivotal swing factor. A new or expanded plant incurs fixed labor, depreciation, training, validation, and launch costs before reaching steady-state output. If demand converts as backlog suggests, those costs are absorbed over more revenue and incremental margins can be strong. If customer energization dates slip, Eaton carries the ramp cost without the corresponding shipment volume. That asymmetry explains why the bear case cuts the margin more sharply than its revenue declines: system projects can be postponed while manufacturing resources remain in place.

The five-year margin history demonstrates genuine improvement but also warns against straight-line extrapolation. Electrical Americas margin rose from 20.6% in FY2021 to 22.5% in FY2022, 26.5% in FY2023, and 30.2% in FY2024, then eased to 29.9% in FY2025 and 28.3% TTM [data_package section 0a, segment margin row; section 3, margin row]. The 960-basis-point FY2021-FY2024 rise almost certainly combined unusual pricing, supply-chain normalization, productivity, and systems mix. A repeat to nearly 40% would not be a reasonable base case. The forward model instead asks whether the segment can preserve a high-20s margin while capacity and systems mix grow.

Working-capital economics are not separately disclosed for Electrical Americas. Long-lead systems may require inventory and work in process before customer billing, while deposits, contractual milestones, or distributor terms can offset some financing. Backlog growth faster than revenue can therefore consume working capital even when the income-statement margin remains high. This appendix does not invent a segment cash-conversion rate. The later consolidated analysis should reconcile group working capital and capex rather than treating `Segment operating profit (loss)` as free cash flow.

Acquisition economics create another distinction. Fibrebond brings modular enclosures and acquired backlog into segment revenue, but transaction, integration, retention, and intangible-amortization costs do not all sit in this segment measure. A high `Segment operating profit (loss)` margin can therefore coexist with a materially lower statutory operating margin. Keeping those lines separate is not cosmetic; it prevents the segment from being credited with economics that shareholders do not yet receive.

4. Competitive dynamics

Electrical Americas competes in overlapping layers rather than one clean market. In low- and medium-voltage electrification, important competitors include Schneider Electric, ABB, Siemens, Hubbell, Vertiv in data-center power and thermal adjacencies, and numerous specialized transformer, switchgear, connector, enclosure, and power-quality manufacturers. Competitor boundaries shift by product: Hubbell is especially relevant in utility and electrical components; Schneider and ABB offer broad electrification architectures; Vertiv is concentrated in critical digital infrastructure; local and private manufacturers can be formidable in specific equipment niches.

The scale of broad-line competition is substantial. ABB's 2025 annual report describes Electrification as a $17.4B business spanning medium- and low-voltage components, switchgear, digital devices, enclosures, and breakers, with roughly half of revenue through distributors and about 20% direct to end users. That confirms both the breadth of the competitive set and the importance of channel access ([ABB 2025 annual report](https://library.e.abb.com/public/b292a84b973f444a821a629d668bdf1f/ABB%20Annual%20Reporting%20Suite%202025%20-%20Consolidated%20file.pdf)). Hubbell reported $3.7B of Utility Solutions and $2.1B of Electrical Solutions revenue in 2025, showing a smaller but focused competitor on both sides of the meter ([Hubbell 2025 annual report, At a Glance](https://investor.hubbell.com/ar2025/at-a-glance/)). Schneider's 2025 results reported sharply accelerating data-center demand and identified panels, UPS, racks, and related systems as part of its offer, evidence that Eaton does not own the data-center growth pool alone ([Schneider Electric 2025 full-year results](https://www.se.com/ww/en/assets/564/document/528237/release-fy-results-2025.pdf?p_File_Name=2025+FY+Results&p_enDocType=Financial+release)).

Pricing power is strongest where equipment is engineered into a facility design, qualified by a customer, constrained by supply, or costly to replace. It is weakest in highly standardized components with multiple approved vendors and transparent distributor pricing. Eaton's advantage is not that every breaker or connector is unique; it is that a broad installed base, certification history, engineering support, and multi-product architecture reduce the customer's implementation risk. The buyer may still dual-source, particularly after recent shortages, and hyperscale customers have the volume and engineering capability to press suppliers on price.

Lead times currently support supplier economics, but they are also an invitation for capacity and substitution. The U.S. Department of Energy reported that distribution-transformer demand had risen 41% since 2019 and that 2024 lead times had expanded from three-to-six months in 2019 to one-to-two years or longer; large transformers had lead times of up to three-to-four years ([DOE distribution-transformer webinar](https://www.energy.gov/oe/distribution-transformer-webinar-text-alternative)). DOE's market analysis separately cites 12-to-30-month distribution-transformer lead times in 2023 and more than 80,000 different utility specifications, illustrating both scarcity and the customization that slows throughput ([DOE supply-chain and market analysis](https://www.energy.gov/oe/supply-chain-and-market-analysis)). Scarcity can sustain price and backlog today, but standardization, competitor expansion, and customer qualification of alternate suppliers could normalize returns later.

Data-center infrastructure is similarly attractive and contested. Vertiv describes system-level integration of power, thermal management, controls, services, and prefabricated infrastructure as its differentiation, and is developing architectures for higher-voltage direct-current power and on-site generation ([Vertiv 2025 shareholder letter](https://investors.vertiv.com/financials/annual-reports/2026-Shareholder-Letter/)). Eaton's Resilient solid-state transformer technology and Fibrebond modular enclosures address adjacent needs, but architecture changes can shift value among switchgear, UPS, busway, DC distribution, batteries, cooling, and generation. Winning today's component does not guarantee ownership of tomorrow's power train.

Entry barriers vary. A new entrant can produce a simple component, but entering mission-critical systems requires certifications, engineering talent, field-service capability, warranty credibility, manufacturing quality, installed references, channel support, and customer approval. Utilities and data-center operators value delivery reliability, but recent shortages encourage them to diversify supply. The barrier is therefore high enough to support attractive incumbents, not high enough to eliminate competition.

5. Segment-level moat and durability

Electrical Americas has a real but imperfect moat. The strongest layer is **specification and installed-base stickiness**. Electrical equipment must coordinate safely with upstream and downstream devices, satisfy codes and fault-current requirements, and remain serviceable for years. Once a family of breakers, switchgear, controls, and protection schemes is designed into a facility, changing suppliers can require engineering work, testing, spares changes, and retraining. That creates switching friction without implying contractual lock-in.

The second layer is **breadth plus engineering integration**. Eaton can offer components and systems across a large share of a customer's power path. This reduces interface risk and gives its sales force multiple points of entry. The Systems line's increase from 70.8% of the disclosed two-line mix in FY2023 to 75.9% in FY2025 supports the view that integrated content is gaining share within the segment [calculated from data_package section 4, Electrical Americas Products and Systems rows]. Breadth matters most when project schedules are compressed and the customer needs a supplier that can engineer, manufacture, test, and support a coordinated solution.

The third layer is **channel, service, and qualification density**. Distributors, contractors, consulting engineers, utilities, and owners are more likely to specify equipment that is readily supported and familiar. A new product may have superior specifications but still need years to accumulate approvals, field references, spare parts, and service confidence. Eaton's brands and installed base shorten that path for adjacent innovations.

The fourth layer is **manufacturing capacity at a scarce moment**. Capacity itself is not a permanent moat because competitors can invest. Yet qualified capacity for transformers, switchgear, breakers, power-quality systems, and modular enclosures takes time to build and stabilize. Eaton's investment program can convert current demand into share if it ramps earlier and more reliably than peers. It can destroy value if the company builds for a transient peak.

The moat is vulnerable in three ways. First, standard products can be multi-sourced and price-compared. Second, hyperscalers and utilities are sophisticated buyers that can qualify alternatives or encourage standardization. Third, power architecture can change. Higher-voltage DC distribution, solid-state transformers, modular designs, on-site generation, and advanced controls may shift the profit pool. Eaton's acquisitions and R&D show awareness, but the company must keep winning architecture transitions rather than relying on legacy share.

Over five to ten years, the moat should protect above-average margins if Eaton converts backlog without quality failures and preserves systems relevance. It does not justify extrapolating today's scarcity forever. The base case holds the segment near 29% margin, the bear case normalizes toward 24%, and only the bull case reaches 30.7% through unusually strong utilization, systems mix, and execution. That scenario structure treats the moat as durable enough to resist commoditization, but not

strong enough to eliminate cyclical and competitive downside.

6. Historical growth rates reproduced from the data package

The segment's historical revenue is official and comparable. Product and Systems dollars are available only for FY2023-FY2025, so the table uses those three years rather than inventing earlier product detail. The phrase "three-year CAGR" below means the annualized rate from FY2023 to FY2025, a two-year compounding interval spanning three reported observations. The latest YoY for Products and Systems is FY2025; the segment-total latest YoY is Q2 FY2026 organic growth because it is the most recent verified segment observation.

Product / sub-segment	FY2023 revenue	FY2024 revenue	FY2025 revenue	Three-year CAGR	Most recent YoY	Data package cite
Electrical Americas total	$10.098B [data_package section 3, Electrical Americas Revenue row]	$11.436B [data_package section 3, Electrical Americas Revenue row]	$13.276B [data_package section 3, Electrical Americas Revenue row]	14.7% [calculated from data_package section 3, Electrical Americas Revenue row]	18% organic in Q2 FY2026 [data_package section 5, Electrical Americas Q2 FY2026 row]	data_package section 3, Electrical Americas Revenue row; section 5, Q2 row
Products	$2.949B [data_package section 4, Electrical Americas Products row]	$3.009B [data_package section 4, Electrical Americas Products row]	$3.205B [data_package section 4, Electrical Americas Products row]	4.3% [calculated from data_package section 4, Electrical Americas Products row]	6.5% [calculated from data_package section 4, Electrical Americas Products row]	data_package section 4, Electrical Americas Products row
Systems	$7.149B [data_package section 4, Electrical Americas Systems row]	$8.426B [data_package section 4, Electrical Americas Systems row]	$10.070B [data_package section 4, Electrical Americas Systems row]	18.7% [calculated from data_package section 4, Electrical Americas Systems row]	19.5% [calculated from data_package section 4, Electrical Americas Systems row]	data_package section 4, Electrical Americas Systems row

The arithmetic checks pass within the required 2% tolerance:

- Segment total: $10.098B x 1.133 = $11.441B versus reported $11.436B; the 0.04% difference is rounding. $11.436B x 1.161 = $13.277B versus reported $13.276B.
- Products: $2.949B x 1.0203 = $3.009B; $3.009B x 1.0651 = $3.205B.
- Systems: $7.149B x 1.1786 = $8.426B; $8.426B x 1.1951 = $10.070B.

The longer official segment series is FY2021 $7.242B, FY2022 $8.497B, FY2023 $10.098B, FY2024 $11.436B, and FY2025 $13.276B [data_package section 3, Electrical Americas Revenue row]. That is a 16.4% FY2021-FY2025 CAGR. The 14.7% FY2023-FY2025 CAGR is lower but still exceptional for mature electrical equipment. Systems alone grew 18.7%, while Products grew 4.3%. The history therefore argues for a structurally faster Systems assumption, but it also makes the investment case dependent on the durability of data-center, utility, and engineered-project spending.

There are no back-solved historical product dollars in this table. Data-center revenue, transformer revenue, UPS revenue, switchgear revenue, and modular-enclosure revenue are not separately disclosed. Their growth commentary is used only as an end-market indicator.

`[DATA GAP: Named-equipment and end-market revenue dollars are not separately disclosed for Electrical Americas. The finest official dollar history is Products and Systems, as documented in data_package sections 4 and 10.]`

7. Management guidance and commentary

There is no product-level or Electrical-Americas-specific FY2026 revenue guide in the verified package. At Q2 2026, Eaton raised group organic-growth guidance to 11%-13% and retained a 24.1%-24.5% **consolidated segment-margin** range [data_package section 5, guidance paragraph]. Those figures are relevant context but are not silently assigned to Products, Systems, or Electrical Americas. Every segment-relevant quote in data_package section 6 is reproduced below.

- **Q2 FY2026 release, 2026-07-31, Paulo Ruiz, CEO:** "Our focus on disciplined execution led to sequential margin expansion, especially in Electrical Americas." [data_package section 6, Electrical Americas quote 1] The quote supports a recovery from Q1's 25.6% margin to Q2's 27.5%, but not an assumption that the FY2024 peak has already returned. Base-case margins rebuild gradually; the bull case requires several years of clean conversion.

- **Q1 FY2026 call, 2026-05-05, Paulo Ruiz, CEO:** "Demand remains incredibly robust. We are winning like never before, and the order and the backlog growth supports that." [data_package section 6, Electrical Americas quote 2] Orders and backlog validate near-term demand, but the words do not specify cancellation rates, delivery dates, or terminal growth. The base case decelerates Systems growth despite this strength.

- **Q1 FY2026 call, 2026-05-05, Paulo Ruiz:** "The investments we are making over $1 billion in CapEx are at record scale for us, but well within our capability to navigate." [data_package section 6, Electrical Americas quote 3] Capacity is both the volume unlock and the principal execution risk. The bear case assumes under-absorption and margin compression; the bull case assumes Eaton ramps without material quality or labor disruption.

- **Q4 FY2025 call, 2026-02-03, Paulo Ruiz:** "We've already announced investments around $1.5 billion to strategically expand capacity." [data_package section 6, Electrical Americas quote 4] The size of the program confirms management expects demand to persist. It also means the business is no longer an effortless asset-light compounder: returns depend on timing and utilization.

- **Q3 FY2025 call, 2025-11-04, Olivier Leonetti, CFO:** "Organic sales growth of 9% was driven primarily by strength in data centers, up about 40%." [data_package section 6, Electrical Americas quote 5] This identifies data centers as the primary growth engine. It supports faster Systems growth, but also raises mix concentration and comparison risk.

- **Q2 FY2025 call, 2025-08-05, Olivier Leonetti:** "Organic sales growth of 12% was driven primarily by strength in data centers, up about 50%, along with strength in commercial and institutional end markets." [data_package section 6, Electrical Americas quote 6] Growth was not exclusively data-center driven, which improves durability. Still, a roughly 50% end-market growth rate cannot be extrapolated over five years.

The management anchor is unusually strong demand plus a capacity-limited conversion problem. The forecast challenge is not whether the next quarter has orders; it is whether current orders represent a sustainable multiyear installed-base expansion, whether capacity arrives on schedule, and whether competitors add enough supply to normalize price and lead times.

8. Forward growth assumptions by product and end market

Forecast base construction

Official TTM revenue is $14.467B, but Eaton does not disclose TTM Products and Systems dollars. For forecast construction only, the model allocates the TTM total using FY2025's disclosed two-line mix: Products 24.143% and Systems 75.857%. This produces a **modeled** TTM base of $3.493B Products and $10.974B Systems. The allocation is not presented as a new historical disclosure. It simply creates two auditable starting lines that sum exactly to the official TTM segment total. Any synthesis should preserve the $14.467B official anchor and treat the split as an analyst modeling assumption.

Base case assumptions

Product / sub-segment	Three-year historical CAGR	Latest YoY	Management FY+1 guide	Base CAGR TTM to 2031-06-30	Short justification
Products	4.3%	6.5% FY2025	No product guide; group organic 11%-13%	5.2%	Broad electrification and pricing support modest growth, but standardized components face competition and slower mix.
Systems	18.7%	19.5% FY2025	No Systems guide; orders/backlog strongly positive	9.2%	Data centers, utilities, and C&I sustain above-market growth, decelerating as comparisons and capacity normalize.
Segment total	14.7%	18% organic Q2 FY2026	No segment-sales guide	8.3%	Systems mix remains favorable, but the five-year rate is well below the recent surge.

The base path deliberately decelerates. Products growth is 7%, 6%, 5%, 4%, and 4% across the five annual steps. Systems growth is 12%, 10%, 9%, 8%, and 7%. The reduction is driven by a larger revenue base, eventual delivery of today's backlog,

more competing capacity, and the difficulty of sustaining 40%-50% data-center growth. It is not driven by an assumption that electrification ends.

Bull case assumptions

Product / sub-segment	Three-year historical CAGR	Latest YoY	Management FY+1 guide	Bull CAGR TTM to 2031-06-30	Short justification
Products	4.3%	6.5% FY2025	No product guide; group organic 11%-13%	7.0%	Strong utility and facility demand improves volume and price while channel share holds.
Systems	18.7%	19.5% FY2025	No Systems guide; demand described as robust	12.0%	Eaton converts backlog, wins dense AI power architectures, and capacity remains scarce longer.
Segment total	14.7%	18% organic Q2 FY2026	No segment-sales guide	10.9%	Systems outgrows Products and reaches nearly 80% of terminal revenue.

The bull path is still a deceleration, not a continuation of 40%-50% data-center growth. Products grows 9%, 8%, 7%, 6%, and 5%; Systems grows 15%, 14%, 12%, 10%, and 9%. This scenario requires Eaton's expanded factories and Fibrebond/Resilient capabilities to convert quickly, while data-center construction, utility load growth, and commercial electrification remain strong. The IEA's base case projects global data-center electricity consumption more than doubling to about 945 TWh by 2030, while its sensitivity range is wide ([IEA Energy and AI executive summary](https://www.iea.org/reports/energy-and-ai/executive-summary%C2%A0)). The bull case effectively assumes Eaton captures a strong share of that infrastructure build without a proportionate loss of pricing.

Bear case assumptions

Product / sub-segment	Three-year historical CAGR	Latest YoY	Management FY+1 guide	Bear CAGR TTM to 2031-06-30	Short justification
Products	4.3%	6.5% FY2025	No product guide; group organic 11%-13%	2.6%	Price normalizes, construction softens, and standardized components lose scarcity support.
Systems	18.7%	19.5% FY2025	No Systems guide; current orders strong	4.6%	Backlog converts initially, then project delays, competition, and architecture shifts slow growth.
Segment total	14.7%	18% organic Q2 FY2026	No segment-sales guide	4.1%	Systems remains positive but far below the recent cycle; no nominal revenue decline is assumed.

The bear path uses Products growth of 4%, 3%, 2%, 2%, and 2% and Systems growth of 7%, 5%, 4%, 4%, and 3%. It is not a recession-collapse case; today's backlog makes that too severe as a central downside. Instead, it assumes current strength is pulled forward, capacity arrives into normalized demand, and customer projects are staggered by grid and power constraints. The IEA estimates about 20% of planned data-center projects could face delay without faster grid integration, while transformer and cable wait times have doubled ([IEA Energy and AI executive summary](https://www.iea.org/reports/energy-and-ai/executive-summary%C2%A0)). Delays can preserve long-run equipment demand while still damaging a five-year revenue and margin path.

Explicit year-by-year revenue bridge

Case and product	TTM 2026-06-30	2027-06-30	2028-06-30	2029-06-30	2030-06-30	2031-06-30
Bear - Products	$3.493B	$3.632B	$3.741B	$3.816B	$3.893B	$3.970B
Bear - Systems	$10.974B	$11.742B	$12.330B	$12.823B	$13.336B	$13.736B
Bear - Segment	$14.467B	$15.375B	$16.071B	$16.639B	$17.228B	$17.706B
Base - Products	$3.493B	$3.737B	$3.962B	$4.160B	$4.326B	$4.499B
Base - Systems	$10.974B	$12.291B	$13.520B	$14.737B	$15.916B	$17.030B
Base - Segment	$14.467B	$16.028B	$17.482B	$18.897B	$20.242B	$21.529B
Bull - Products	$3.493B	$3.807B	$4.112B	$4.400B	$4.663B	$4.897B
Bull - Systems	$10.974B	$12.620B	$14.387B	$16.114B	$17.725B	$19.320B
Bull - Segment	$14.467B	$16.427B	$18.499B	$20.513B	$22.389B	$24.217B

Rounding causes no material rollup gap: every displayed Segment row equals displayed Products plus Systems within $1M. Calculations use unrounded values.

End-market stress overlay

The official dollar model remains Products and Systems because named end-market dollars are unavailable. The following overlay makes the case mechanics explicit without fabricating allocations.

End market	Bear condition	Base condition	Bull condition	Observable evidence
Data centers / distributed IT	Energization delays and supply normalization slow equipment releases	AI and cloud build remains strong but growth decelerates	Dense AI campuses accelerate and Eaton wins broad power-train content	Segment data-center growth, orders, backlog, hyperscaler capex, grid connection timing
Utility / grid	Capital plans continue but equipment standardization pressures price	Replacement, resilience, and load growth support multi-year demand	Load growth and grid investment sustain scarcity and share gains	Utility orders, transformer lead times, regulatory approvals
Commercial and institutional	Higher rates and office weakness offset retrofit demand	Electrification and resilient-power upgrades support mid-single-digit growth	New construction and retrofit cycles broaden beyond data centers	Non-residential starts, contractor activity, Eaton organic growth commentary
Industrial facilities	Manufacturing cycle softens and projects defer	Onshoring and electrification offset normal cyclicality	Megaproject and advanced-manufacturing build accelerates	Manufacturing construction, project backlog, Systems growth
Residential and other	Channel destocking and price competition	Low-single-digit volume with modest price	Housing and distributed-energy recovery	Distributor inventory, residential starts, Products growth

9. Forward `Segment operating profit (loss)` margin assumptions

The official current margin is 28.28% TTM: $4.091B of `Segment operating profit (loss)` divided by $14.467B revenue. Eaton does not disclose Products and Systems profit, so no historical product-margin claim is made. To calculate a bottom-up terminal blend, the model assigns scenario-specific terminal margins to the two revenue lines. These are analyst assumptions constrained to reproduce an explicit weighted segment result.

Case and product	Current disclosed margin	2031-06-30 `Segment operating profit (loss)` margin	Change versus segment TTM	Mechanism
Bear - Products	Not separately disclosed	21.5%	Not comparable by product	Price normalization, lower utilization, and input-cost pressure
Bear - Systems	Not separately disclosed	24.8%	Not comparable by product	Project delays and ramp under-absorption overwhelm favorable mix
Bear - Segment blended	28.28%	24.06%	(422) bps	Expanded capacity is underutilized and scarcity pricing fades
Base - Products	Not separately disclosed	24.0%	Not comparable by product	Stable channel economics and productivity offset normal price pressure
Base - Systems	Not separately disclosed	30.0%	Not comparable by product	Mix, engineering value, and scale absorb ramp costs
Base - Segment blended	28.28%	28.75%	+47 bps	Systems mix rises while terminal economics remain below a heroic peak
Bull - Products	Not separately disclosed	25.5%	Not comparable by product	Strong volume, price discipline, and factory absorption
Bull - Systems	Not separately disclosed	32.0%	Not comparable by product	Full capacity utilization, premium integrated content, and execution
Bull - Segment blended	28.28%	30.69%	+241 bps	Systems reaches 79.8% of revenue and earns exceptional incremental margins

The bear decline exceeds 100 basis points because its mechanism is specific: Eaton commits labor and fixed manufacturing resources to expanded capacity, but grid connections and customer releases slow, leaving under-absorbed overhead.

Competitive capacity and standardized specifications also reduce scarcity pricing. The 24.1% terminal margin is still above FY2022's 22.5%, recognizing that the segment is structurally more systems-oriented than it was then.

The base case does not mechanically return to FY2024's 30.2% peak. It assumes Q1 FY2026 ramp inefficiency fades, Systems mix increases, and productivity offsets wage and material pressure, but recent scarcity moderates. A 28.75% terminal margin is only 47 basis points above TTM and below both FY2024 and FY2025. That is conservative relative to the current order narrative while respecting the unusually favorable historical margin expansion.

The bull increase exceeds 100 basis points because Eaton fills expanded plants, captures more equipment per data-center and utility project, and preserves price despite higher volume. It requires high quality and on-time delivery. A 32% Systems margin is a strong outcome, not an entitlement. Corporate amortization, restructuring, integration expense, interest, and tax remain outside this table and must be projected separately by synthesis.

10. Bottoms-up segment rollup

Case	Product / sub-segment	2031-06-30 revenue	Exact profit metric	Profit margin	2031-06-30 profit
Bear	Products	$3.970B	Segment operating profit (loss)	21.5%	$0.854B
Bear	Systems	$13.736B	Segment operating profit (loss)	24.8%	$3.406B
Bear	**Electrical Americas total**	**$17.706B**	**Segment operating profit (loss)**	**24.06%**	**$4.260B**
Base	Products	$4.499B	Segment operating profit (loss)	24.0%	$1.080B
Base	Systems	$17.030B	Segment operating profit (loss)	30.0%	$5.109B
Base	**Electrical Americas total**	**$21.529B**	**Segment operating profit (loss)**	**28.75%**	**$6.189B**
Bull	Products	$4.897B	Segment operating profit (loss)	25.5%	$1.249B
Bull	Systems	$19.320B	Segment operating profit (loss)	32.0%	$6.182B
Bull	**Electrical Americas total**	**$24.217B**	**Segment operating profit (loss)**	**30.69%**	**$7.431B**

The rollup is reconstructable. Bear profit is $3.970B x 21.5% plus $13.736B x 24.8% = $4.260B. Base profit is $4.499B x 24.0% plus $17.030B x 30.0% = $6.189B. Bull profit is $4.897B x 25.5% plus $19.320B x 32.0% = $7.431B. Each blended margin equals total `Segment operating profit (loss)` divided by total segment revenue. Differences under $1M arise only from displayed rounding.

Relative to the TTM anchor, terminal segment revenue CAGR is 4.12% bear, 8.28% base, and 10.85% bull. Terminal `Segment operating profit (loss)` CAGR is approximately 0.8% bear, 8.6% base, and 12.7% bull. The bear case is deliberately punitive on profit despite positive revenue: it tests whether capacity and price normalization can leave the segment earning little more profit five years from now. The base case requires consistent but not peak execution. The bull case requires both strong growth and margin expansion, making it a lower-probability outcome.

No corporate or statutory adjustment is embedded in these product margins. In particular, this segment rollup contains no intangible asset amortization expense, restructuring program charges, other expense - net, interest, or tax. The sealed bridge assigns those lines outside reportable-segment profit, and synthesis must preserve that separation.

11. Key risks and wildcards

- **Capacity ramp and operational execution - primarily bear.** Eaton is investing at record scale. Labor availability, supplier qualification, plant validation, scrap, freight, or quality problems could hold margin below the historical peak even with strong demand. The earliest warning is revenue growth that remains high while segment margin fails to recover toward the upper-20s.

- **Data-center capex and energization timing - bear and bull.** AI infrastructure can sustain Systems growth, but grid queues, generation availability, permitting, financing, or changing compute economics can move projects beyond the five-year horizon. Conversely, rapid on-site generation and modular deployment could accelerate equipment releases. The IEA's wide 2035 sensitivity range of roughly 700-1,700 TWh for data-center electricity use underscores that uncertainty ([IEA Energy and AI](https://www.iea.org/reports/energy-and-ai/)).

- **Power-architecture change - bear and bull.** Higher-voltage DC distribution, solid-state transformers, microgrids, batteries, modular systems, and new cooling/power integration may shift content away from legacy products. Resilient Power Systems provides an option, but competitors are also investing. The key question is whether Eaton gains system content per megawatt or is bypassed by a new architecture.

- **Competitive capacity and price normalization - primarily bear.** Long lead times and scarcity attract investment from ABB, Schneider, Hubbell, Vertiv, transformer producers, and private competitors. As supply expands, customers may regain negotiating leverage. Products are more vulnerable than Systems, but large hyperscalers can bargain aggressively even on engineered solutions.

- **Backlog quality and customer release behavior - primarily bear.** Backlog is firm-order visibility, not unconditional revenue. Duplicative ordering, schedule changes, or customer release provisions can make headline backlog overstate near-term conversion. Monitor the relationship among orders, backlog, revenue, cancellations, and book-to-bill rather than any one figure.

- **Input costs and tariffs - bear.** Copper, electrical steel, electronics, freight, and tariffs can move faster than price realization. Long project lead times can create a mismatch between quoted economics and delivered cost. Effective price-cost management is therefore necessary to preserve the base margin.

- **Utility standardization - mixed.** DOE notes tens of thousands of transformer specifications. Standardization could increase throughput and expand the market, helping volume, but it could also reduce customization and price differentiation. Eaton benefits if its designs become standard; it loses if standardization broadens interchangeability more than it improves factory efficiency.

- **Commercial construction cycle - primarily bear.** Commercial and institutional demand broadened growth in Q2 2025, but higher rates, office weakness, and project delays can offset retrofit and electrification spending. A pure data-center narrative may mask softness in other construction categories.

- **Utility and grid investment - primarily bull.** Aging infrastructure, load growth, resilience, and electrification can keep transformer, regulation, protection, and distribution demand elevated beyond the data-center boom. The 2026 DOE transmission-needs work describes a shift from stagnant demand toward hyperscale and manufacturing load growth, supporting a multi-driver grid thesis ([DOE National Transmission Needs Study](https://www.energy.gov/oe/national-transmission-needs-study)).

- **Acquisition integration - bear and bull.** Fibrebond and Resilient expand addressable content and technology. They can raise win rates and modular scope, or generate retention, integration, and manufacturing disruption. Because acquisition amortization and some transaction costs are outside segment profit, the consolidated shareholder outcome may be worse than the segment margin suggests.

- **Customer concentration by end market - primarily bear.** No single Eaton customer exceeded 10% of group sales, but that does not eliminate correlated hyperscaler behavior. Several large customers can delay projects together when financing, power availability, or chip architecture changes.

- **Moat erosion through multi-sourcing - primarily bear.** Customers responding to shortages may approve second sources, redesign around more interchangeable equipment, or demand open architectures. Eaton's breadth and installed base mitigate this risk but cannot prevent it.

Scenario summary

Probabilities are deliberately non-uniform. Base receives 50% because backlog, orders, and structural electricity demand support continued above-market growth, yet margins have not fully recovered. Bear receives 30%, more than bull's 20%, because capacity under-absorption, project timing, competition, and price normalization create asymmetric downside from today's unusually strong conditions. Bull requires simultaneous share gains, clean capacity execution, sustained scarcity, and favorable systems mix.

Case	Segment TTM+5y revenue	Exact profit metric	Segment TTM+5y profit margin	Segment TTM+5y profit	Probability
Bear	$17.706B	Segment operating profit (loss)	24.06%	$4.260B	30%
Base	$21.529B	Segment operating profit (loss)	28.75%	$6.189B	50%
Bull	$24.217B	Segment operating profit (loss)	30.69%	$7.431B	20%

The probability-weighted terminal segment result is $20.920B revenue and $5.859B of `Segment operating profit (loss)`, but this expectation is not a substitute for preserving the three cases. The bear case shows that positive electrical demand can coexist with poor profit compounding if capacity and pricing normalize. The base case is the underwriting center: an 8.3% revenue CAGR with roughly stable high-20s profitability. The bull case demonstrates the upside if Eaton turns current scarcity, Systems growth, and capacity investment into durable architecture leadership.

Eaton Corporation plc - Electrical Global Segment Deep Dive

Research cutoff: 2026-08-02 **Forecast anchor:** TTM ended 2026-06-30 **Exact horizon:** 2031-06-30, exactly five calendar years **Currency:** USD; financial figures are billions unless stated otherwise **Exact profit basis throughout: Segment operating profit (loss) Authority boundary:** Research only; `trade_execution_authorized=false`. This appendix has no trade, broker, portfolio-mutation, message, ranking, or sizing authority.

The verified upstream controls are intact. The data package states `STATUTORY_BRIDGE_STATUS: VERIFIED - CLEARED FOR FORECASTING`; the bridge file hashes to `93a3c2f30d336f1f1455c8b247ac73eeb012e1eb1840cb936ff7edcc7f0af923`, and the quote packet hashes to `de87e41d84b51ab60c3074ba85b035cec205811cfe46370f8b760c4bd0cf01e5`. This segment model therefore uses the sealed TTM values of $7.916 billion of revenue and $1.543 billion of Segment operating profit (loss), or a 19.5% margin. It does not re-fetch or alter Eaton historical financials, management quotes, the quote anchor, accounting classifications, corporate expense, amortization, restructuring, interest, or any statutory-bridge line.

0. Segment boundary and taxonomy note

Electrical Global is one of Eaton's four current reportable segments. Its boundary is stable across the FY2021-FY2025 segment history used here. The Q1 2026 reporting change combined Vehicle and eMobility into Mobility; it did not restate Electrical Global. The important 2026 perimeter change is economic rather than taxonomic: Boyd Thermal closed on **2026-03-12** and is now reported in Electrical Global. Thus the $7.916 billion TTM anchor contains only the March 12-June 30 post-close portion of Boyd, while FY2025 Electrical Global revenue does not. Historical comparisons explicitly distinguish legacy organic performance from acquired Boyd revenue. [data_package §1, current-segment table row Electrical Global; §9, Boyd Thermal transaction row; source_manifest source D_SEC_ETN_2026_Q2_10Q]

1. What this segment actually is

Electrical Global sells the equipment and services that distribute, protect, condition, connect, and increasingly cool electrical power, primarily outside the Americas. Its legacy perimeter combines two broad revenue forms. “Products” are standalone electrical and industrial components: circuit protection, connectivity, wiring and control devices, hazardous-duty and explosion-proof equipment, emergency lighting, fire detection, instrumentation, and structural-support products. “Systems” combine assemblies, power distribution, power-quality equipment, engineered configurations, and services. Boyd adds a third strategically distinct engine: thermal-management components and liquid-cooling solutions, with direct relevance to high-density data centers and other electronics-intensive applications. [data_package §1, Electrical Global taxonomy bullet; §4, rows Electrical Global Products and Systems; §9, Boyd row]

The customer base is not one homogeneous global electrical market. In EMEA, Eaton sells into commercial and institutional buildings, industrial facilities, utilities, machinery OEMs, residential projects, hazardous environments, and data centers. In Asia-Pacific, electrification, industrial automation, electronics manufacturing, data-center construction, and infrastructure investment are key demand pools. Globally sold hazardous-duty, fire-safety, structural-support, and cooling products can cross the geographic boundary implied by the segment name; where a product family is managed in Electrical Global, some sales can occur in the Americas. That is why this appendix does not infer Electrical Global revenue by simply subtracting United States sales from Eaton consolidated revenue.

The buying process ranges from catalogue-like replacement components to engineer-to-order systems. Smaller products flow through electrical distributors, panel builders, systems integrators, and OEM channels. Larger systems require specification by consulting engineers, contractors, utility or facility teams, and data-center designers. Revenue may be recognized after a relatively short distributor replenishment cycle or after a long project process involving design approval, factory capacity, testing, commissioning, and customer release. Backlog is therefore useful but not equivalent to contracted revenue: Eaton defines backlog as firm customer orders, while warning that many open orders remain subject to customer releases. [data_package §0a, backlog discussion]

Pricing is a combination of list-price realization, project quotation, product configuration, service content, and mix. Criticality matters. A circuit breaker, UPS, power-distribution assembly, explosion-proof enclosure, or cooling subsystem may represent a small share of a customer's total project cost while carrying high failure consequences. That supports price discipline when availability, certification, installed-base compatibility, and delivery reliability are scarce. The limit is that large data-center, OEM, distributor, and utility customers are sophisticated buyers with multi-source options and increasingly demand system-level efficiency, shorter lead times, and proof of interoperability.

The go-to-market advantage is breadth. Electrical Global can sell a component, a configured assembly, a power-quality system, related services, and now thermal management. Yet breadth is not automatically a moat. Schneider Electric, ABB, Siemens, Legrand, Vertiv, nVent, Rittal, and regional electrical manufacturers also offer overlapping portfolios. Eaton earns an advantage only where its engineering, approvals, distribution, installed base, availability, and system integration improve a customer's time-to-power or lifecycle risk.

2. Current economics

TTM revenue at 2026-06-30 was **$7.916 billion**, up from FY2025 revenue of $6.815 billion. TTM Segment operating profit (loss) was **$1.543 billion**, giving a **19.5%** margin on the exact sealed basis. FY2025 revenue grew 9.1%, profit increased to $1.323 billion, and margin rose to 19.4% from 18.4% in FY2024. Q1 2026 revenue was $1.945 billion, up 21%, with a 19.2% margin; Q2 was $2.517 billion, up 44%, with a 19.8% margin. Q2 growth comprised 18% organic, 25% Boyd contribution, and 1% foreign exchange. Orders rose 33% and backlog 103% in Q2. [data_package §3, Electrical Global table; §5, Electrical Global Q1 and Q2 rows; §6, Electrical Global Q2 release row]

The current economics therefore combine three effects that should not be extrapolated as one growth rate. First, legacy Electrical Global entered 2026 with improved organic momentum: Q4 2025 organic growth was 6%, and management cited strength across APAC and an EMEA recovery. Second, Boyd created a one-time perimeter step-up. Its disclosed 2025 sales were $1.1 billion and expected FY2026 sales were $1.7 billion, but those are acquired-company figures, not historical Eaton segment dollars. Because Eaton owned Boyd only from March 12, the partial-period amount inside TTM cannot be compounded as though it were a full-year revenue base. Third, foreign exchange can materially affect reported international revenue even when organic demand is unchanged. The forecast treats 44% Q2 reported growth as a transition-quarter observation, not a sustainable CAGR.

The finest disclosed historical product mix is FY2025 Products revenue of $3.885 billion and Systems revenue of $2.930 billion, or approximately 57% and 43% of the pre-Boyd FY2025 segment. Eaton does not disclose named equipment revenue for switchgear, UPS, transformers, data centers, hazardous equipment, or cooling. Boyd's post-close TTM contribution is also not provided as a separate audited segment line. [data_package §4, Electrical Global Products and Systems rows; §10, named-product non-disclosure]

Capital intensity increased. Electrical Global capital expenditure was $120 million in FY2021, $151 million in FY2022, $142 million in FY2023, $163 million in FY2024, $249 million in FY2025, and $149 million in H1 2026. FY2025 segment capex equaled about 3.7% of revenue, versus 2.6% in FY2024. That rise is consistent with capacity, integration, and growth investment, but Eaton does not disclose a segment unit-capacity, utilization, throughput, ASP, or inventory-days series. [data_package §0a, segment capital-expenditure table row Electrical Global; §10, true non-disclosure]

The five-year margin history is unusually stable relative to the revenue and acquisition story: 18.7%, 19.4%, 19.3%, 18.4%, and 19.4% from FY2021 through FY2025, then 19.5% TTM. The segment has not yet demonstrated Electrical Americas-like 30% margins. This is an important discipline on the terminal model. A bull outcome above 22% requires a real mix shift toward engineered systems and thermal management plus integration benefits; it cannot be justified merely by calling Eaton a premium compounder.

3. Unit economics

Electrical Global's profit pool starts with material and conversion economics. Copper, steel, aluminum, plastics, electronics, power semiconductors, cooling components, and purchased subassemblies enter factories that must be tooled, staffed, tested, certified, and supported. Products with more standardized configurations tend to face greater price comparison and distributor bargaining. Engineered systems can command more value because Eaton performs design, assembly, testing, software or control integration, commissioning, and service. Thermal solutions can add attractive engineering value, but they also introduce exposure to rapid changes in chip power density, coolant distribution design, supply-chain execution, and customer qualification.

Price-cost is the first major margin lever. Eaton can reprice through catalogues, distributor programs, contracts, and project bids, but the timing differs. A fast commodity input move can pressure margin before price catches up; a favorable price-cost spread can reverse later. International operations add currency and local-cost complexity. Transaction exposure can differ from translation: a plant may buy inputs in one currency and sell in another, while reported results translate into U.S. dollars. The scenario model embeds this in product-line margins rather than inventing a separate corporate hedge allocation.

Mix is the second lever. Systems, services, hazardous-duty equipment, and advanced cooling should generally carry more engineering content than commoditized components, but Eaton does not disclose product gross margins. The appendix therefore uses estimated line margins only as a transparent bridge that is calibrated exactly to the sealed $1.543 billion TTM segment profit. These allocations are model mechanics, not issuer disclosures. They are not allowed to change the TTM total.

Volume and factory absorption are the third lever. Higher production can spread plant labor, engineering, depreciation, and support costs over more revenue. But an order boom is not instantly profitable. Capacity additions, new-product qualification, supplier constraints, expedited freight, overtime, learning curves, and commissioning can create a period in which cost leads shipments. Electrical Global's H1 2026 capex and Boyd integration make this especially relevant. A 103% backlog increase is excellent demand evidence, but it can coexist with execution risk and does not mechanically imply a higher margin.

The fourth lever is project quality. Large power and cooling projects can create favorable revenue density and customer stickiness, yet concentrated megaprojects also bring schedule risk, liquidated damages, design changes, and working-capital swings. Data-center customers may reserve capacity well in advance, alter architectures, or delay construction because of power interconnection. Revenue conversion depends on Eaton's equipment readiness and the customer's site readiness.

The fifth lever is lifecycle service and installed-base pull-through. Certified electrical systems require inspection, spares, replacement, maintenance, upgrades, and compatibility. An installed base can produce recurring, less cyclical demand, though Eaton does not disclose Electrical Global service revenue separately. [DATA GAP: Electrical Global service revenue, gross margin, installed-base revenue, and aftermarket mix are not separately disclosed in the data package.]

Reinvestment is meaningful but manageable. FY2025 segment capex of $249 million is below segment depreciation plus broader group cash generation on any reasonable allocation, but this appendix does not assign corporate depreciation or acquisition financing to the segment. R&D, shared software, corporate costs, intangible amortization, integration expense, restructuring, and other statutory adjustments remain where the sealed bridge places them. The only modeled profit here is Segment operating profit (loss).

4. Competitive dynamics

Electrical Global competes in several overlapping arenas, so a single market-share statistic would be misleading. Eaton does not disclose a verified Electrical Global share, and no official source provides a like-for-like denominator spanning low- and medium-voltage equipment, hazardous-duty products, power quality, services, and thermal management. [DATA GAP: No reliable official market-share figure exists for the exact Electrical Global perimeter.] Competitive context is therefore assessed by portfolio overlap, scale, channel reach, and system capability rather than a fabricated percentage.

Schneider Electric is the broadest direct analogue in energy management. Its 2025 results describe an integrated offer across Data Center & Networks, Buildings, Industry, and Infrastructure, with strong demand for panels, UPS, racks, and associated power-management technologies. That portfolio directly contests Eaton in EMEA, APAC, buildings, power quality, and data centers. Schneider's advantage is architecture breadth and a digital control layer; Eaton's answer is engineering breadth, electrical reliability, application expertise, and Boyd-enabled thermal integration. [Schneider Electric 2025 full-year results](https://www.se.com/ww/en/assets/564/document/528237/release-fy-results-2025.pdf?p_File_Name=2025+FY+Results&p_enDocType=Financial+release)

ABB is a formidable competitor in medium- and low-voltage electrification. Its 2025 annual report describes switchgear, circuit breakers, enclosures, digital devices, energy management, UPS, and a channel network in which approximately half of Electrification revenue comes through distributors. ABB disclosed $17.4 billion of Electrification revenue in 2025, illustrating that Eaton operates in a market with several very large global suppliers. ABB's direct relationships with data-center, utility, industrial, OEM, EPC, panel-builder, and distributor customers overlap heavily with Electrical Global. [ABB 2025 Annual Reporting Suite](https://library.e.abb.com/public/b292a84b973f444a821a629d668bdf1f/ABB%20Annual%20Reporting%20Suite%202025%20-%20Consolidated%20file.pdf)

Siemens Smart Infrastructure competes in electrification, building controls, and data-center infrastructure. Siemens reported €22.989 billion of FY2025 Smart Infrastructure revenue and a 19.6% profit margin, with growth led by electrification and larger contracts from data-center, energy, and industry customers. The metric is not directly comparable with Eaton's Segment operating profit (loss), but the scale and margin show that high-teens to around 20% profitability is achievable for a broad global infrastructure portfolio and that competition is well funded. [Siemens Annual Report 2025](https://assets.new.siemens.com/siemens/assets/api/uuid%3A428ea18a-e7ab-4f93-a160-33908f1c3540/Siemens-Annual-Report-2025.pdf)

Legrand is particularly relevant in data-center power distribution and building infrastructure. Its official 2024 registration document says data-center solutions were close to 20% of group sales, up from 10% in 2019, and included PDUs, busways,

airflow and cooling, cabling, cabinets, UPS, transformers, and protection. Legrand reported a 19% five-year data-center sales CAGR, including 13% organic. This is an important comparable: it supports structural growth above the electrical market, but it also proves that Eaton and Boyd face an incumbent with a broad white-space and grey-space portfolio. [Legrand 2024 Universal Registration Document](https://www.legrandgroup.com/sites/default/files/Documents_PDF_Legrand/Finance/2025/autre/Legrand_URD_2024_ENGLISH_1744198492.pdf)

Vertiv is the sharpest pure-play threat to Boyd in high-density data-center cooling and critical infrastructure. Vertiv emphasizes integrated power, thermal management, controls, field service, and early alignment with silicon-provider road maps. Its 2025 shareholder letter describes reference architectures, liquid-management capabilities, and system-level optimization. Eaton's opportunity is to link Boyd cooling with upstream electrical distribution; its risk is that Vertiv's deeper data-center specialization and installed service network win design slots. [Vertiv 2025 shareholder letter](https://investors.vertiv.com/financials/annual-reports/2026-Shareholder-Letter/)

nVent and Rittal reinforce that liquid cooling will not be a two-player market. nVent announced modular liquid-cooling and power products aligned to chip road maps, while Rittal markets direct liquid cooling, enclosures, and power distribution. Regional Chinese, European, Indian, Japanese, and Korean electrical suppliers also compete on local standards, price, manufacturing proximity, and state-linked infrastructure relationships. [nVent liquid-cooling portfolio](https://investors.nvent.com/press-releases/press-release-details/2025/nVent-Unveils-New-Liquid-Cooling-and-Power-Portfolio-at-SC25/default.aspx) [Rittal direct liquid cooling](https://www.rittal.com/us-en_US/products/Direct-Liquid-Cooling)

Pricing power is strongest when products are specified, certified, scarce, technically integrated, or costly to replace. It is weakest in standardized components where approved alternatives exist and distributors can switch. System breadth can increase share of wallet, but customers resist proprietary lock-in and increasingly demand interoperability. Over five years, Eaton should retain price discipline in mission-critical applications, but the base case assumes normal competition prevents a straight-line expansion to Electrical Americas margins.

Substitution risk is less about electricity disappearing than about architecture changing. Solid-state protection, higher-voltage DC distribution, modular power, direct-to-chip liquid cooling, rear-door heat exchangers, immersion cooling, on-site generation, and software-defined energy management may shift value among components. Eaton and Boyd can participate in many of these changes, but an installed portfolio is not guaranteed to lead the next architecture. The model therefore assigns Boyd a 9% base CAGR, below the most exuberant AI infrastructure narratives, and requires margin proof before capitalizing a 25%+ terminal line margin.

5. Moat at the segment level

The segment has a real but qualified moat. The strongest element is specification and certification. Electrical protection and hazardous-duty products must comply with local codes, safety standards, and customer qualification. Once an engineer, OEM, utility, contractor, or hyperscaler approves a configuration, switching can require redesign, retesting, procurement changes, and operational risk. This creates stickiness, particularly in replacement, expansion, and standardized fleet deployments.

The second element is distribution and availability. Electrical customers value a part that is approved and obtainable. A global manufacturing footprint, distributor relationships, inventory planning, and field support can be more important than a small unit-price difference. Eaton's brand matters because failures are costly. However, ABB, Schneider, Siemens, Legrand, Vertiv, and strong local suppliers also possess channel reach. Distribution is therefore a shared barrier, not an exclusive monopoly.

The third element is portfolio breadth. Combining protection, distribution, power quality, structural support, services, and cooling can reduce interface risk and accelerate time-to-power. Boyd potentially strengthens the segment by connecting facility power architecture to the thermal chain. If Eaton can co-engineer rather than merely cross-sell, customer relationships deepen and the relevant competitive unit becomes a system rather than a component.

The fourth element is installed base. Replacement parts, compatible extensions, service know-how, and customer familiarity create recurring demand. The absence of a disclosed Electrical Global service or installed-base revenue figure means this moat cannot be quantified. It should be treated as qualitative support, not a hidden annuity.

The moat is weaker in standardized products and greenfield projects with multiple approved bidders. Local manufacturers can offer cost, lead-time, and regulatory advantages. Large customers can dual-source and possess enough engineering expertise to unbundle systems. Data-center cooling is innovative and fast growing, but it is also attracting aggressive, technically credible competitors. Boyd's 2026 growth does not yet prove durable pricing power under normalized capacity.

Durability over five to ten years is therefore **moderate to strong**, not impregnable. Certification, channels, installed base, and system integration should protect a high-teens segment margin. Expansion beyond 20% depends on mix and execution rather than on a monopoly. The base terminal margin of 20.88% recognizes modest system and thermal mix improvement. The 22.58% bull margin assumes Eaton converts integration into real customer value. The 17.66% bear margin assumes price-cost pressure, capacity under-absorption, and cooling competition weaken but do not destroy the franchise.

6. Historical growth rates reproduced from the data package

The following figures are reproduced, not re-derived from external sources. “Three-year span CAGR” uses FY2023-FY2025, which contains two compounding intervals because the data package provides three comparable product years. The segment's longer three-interval CAGR from FY2022 to FY2025 is 5.2%. Every cited dollar is tied to a specific data-package table row.

Product / sub-segment	FY2023 revenue	FY2024 revenue	FY2025 revenue	Three-year span CAGR	Most recent YoY	Data package cite
Electrical Global total	$6.084B [§3 row Revenue]	$6.248B [§3 row Revenue]	$6.815B [§3 row Revenue]	5.8%	9.1%	data_package §3, Electrical Global table rows Revenue and YoY
Products	$3.462B [§4 row Products]	$3.493B [§4 row Products]	$3.885B [§4 row Products]	5.9%	11.2%	data_package §4, product table row Electrical Global Products
Systems	$2.622B [§4 row Systems]	$2.755B [§4 row Systems]	$2.930B [§4 row Systems]	5.7%	6.4%	data_package §4, product table row Electrical Global Systems
Boyd Thermal	Not in segment [§4 note]	Not in segment [§4 note]	$1.1B acquired-company sales; not Eaton segment revenue [§4 note]	n/m	n/m	data_package §4, note after end-market table

Arithmetic checks pass within the required 2% tolerance. Segment: $6.248B × 1.091 = $6.816B versus disclosed $6.815B. Products: $3.493B × 1.112 = $3.884B versus $3.885B. Systems: $2.755B × 1.064 = $2.931B versus $2.930B. FY2024 checks also pass: Products $3.462B × 1.009 = $3.493B, Systems $2.622B × 1.051 = $2.756B, and segment $6.084B × 1.027 = $6.248B. Differences are only displayed rounding. No historical dollar was back-solved.

The product table ties exactly in every disclosed year: $3.462B + $2.622B = $6.084B in FY2023; $3.493B + $2.755B = $6.248B in FY2024; and $3.885B + $2.930B = $6.815B in FY2025. This matters because the forward model begins with the sealed TTM total but must use estimated sub-lines after Boyd. The estimates are separately labeled and never presented as historical disclosure.

7. Management guidance quoted from data package Section 6

- **data_package §6, Electrical Global row 1 - Q2 FY2026 filed release, 2026-07-31, official release (no named speaker):** “segment sales grew 44%, comprising 18% organic growth, 25% Boyd Thermal contribution, and 1% FX.” This is the cleanest current growth bridge. It confirms strong legacy demand and the acquired perimeter, but it also shows why 44% cannot be used as a forward organic rate.

- **data_package §6, Electrical Global row 2 - Q1 FY2026 release, 2026-05-05, Paulo Ruiz:** “Electrical Global also continues to outperform.” The statement supports positive momentum but gives no numerical multi-year target.

- **data_package §6, Electrical Global row 3 - Q4 FY2025 call, 2026-02-03, Olivier Leonetti:** “Total growth of 10% included organic growth of 6%, a very strong performance for the quarter.” This is a useful pre-Boyd anchor. Six percent is much closer to the segment's sustainable base than the acquisition-inflated Q2 reported rate.

- **data_package §6, Electrical Global row 4 - Q4 FY2025 call, 2026-02-03, Olivier Leonetti:** “Backlog increased 19% from the prior year, while book-to-bill remained above one on a rolling twelve-month basis.” Demand exceeded shipments entering 2026. Backlog supports front-loaded conversion, but customer releases and capacity govern timing.

- **data_package §6, Electrical Global row 5 - Q3 FY2025 call, 2025-11-04, Olivier Leonetti:** “We have strength in data center, residential, commercial and institutional and machine OEM.” The mix is broader than AI. This breadth reduces dependence on one vertical but exposes the segment to construction and industrial cycles.

- **data_package §6, Electrical Global row 6 - Q2 FY2025 call, 2025-08-05, Olivier Leonetti:** “We saw continued strength in APAC, posting double-digit organic growth and ongoing recovery in EMEA.” This supports faster APAC assumptions and a lower but improving EMEA base.

The group raised FY2026 organic-growth guidance to 11%-13%, but did not provide a separate full-year Electrical Global growth or margin range. [DATA GAP: No segment-specific FY2026 or five-year Electrical Global revenue, product growth, geographic growth, Boyd synergy, or Segment operating profit (loss) margin target is disclosed in the data package.] The model uses management's reported indicators as anchors, not as a substitute forecast.

8. Forward growth assumptions: explicit bottoms-up product, end-market, and geography model

Because Eaton does not disclose TTM product, end-market, or geography dollars within Electrical Global, the $7.916 billion sealed anchor is analytically allocated as follows: EMEA products $2.300 billion; EMEA systems and services $1.600 billion; APAC products $1.500 billion; APAC systems and services $0.950 billion; global hazardous, fire, and emergency products $0.256 billion; rest-of-world engineered systems and services $0.510 billion; and Boyd thermal management $0.800 billion. These seven estimated lines sum exactly to $7.916 billion. The $0.800 billion Boyd amount is only a TTM margin-calibration allocation, not an issuer-disclosed revenue value or a full-year run rate. Boyd closed on March 12, 2026, so the horizon model separately normalizes Boyd to the data-package $1.7 billion FY2026 acquired-company sales expectation and then compounds that full-year economic base for 4.5 years to the exact 2031-06-30 horizon. This separation prevents the acquisition's partial-period TTM contribution from being mistaken for organic growth.

Base case growth assumptions

Product / geography / end market	Historical CAGR anchor	Latest YoY	Management FY+1 guide	Base growth / perimeter rule	2031 revenue
EMEA electrical products	Products 5.9%	Segment 18% organic; line n/d	No line guide; EMEA recovering	5.0%	$2.935B
EMEA systems and services	Systems 5.7%	Segment 18% organic; line n/d	No line guide	6.0%	$2.141B
APAC electrical products	Products 5.9%	APAC previously double digit; line n/d	No line guide	6.5%	$2.055B
APAC systems and services	Systems 5.7%	Segment 18% organic; line n/d	No line guide	8.0%	$1.396B
Hazardous, fire, emergency products	Products 5.9%	n/d	No line guide	4.0%	$0.311B
Rest-of-world engineered systems/services	Systems 5.7%	n/d	No line guide	5.0%	$0.651B
Boyd thermal management	Boyd 2025 sales $1.1B; not segment CAGR	Q2 acquisition contribution 25%	2026 expected sales $1.7B	Normalize to $1.7B FY2026, then 9.0% for 4.5 years	$2.505B

The base case assumes EMEA normalization, not a boom. Products compound near their disclosed 5.9% recent CAGR; systems do slightly better because data centers, grid resilience, and engineered content outgrow basic components. APAC remains faster because management cited double-digit growth and because regional data-center and electrification investment has room to expand, but the model fades below the current observation. Hazardous and fire products grow nearer nominal industrial activity. Boyd first normalizes to the disclosed $1.7 billion FY2026 sales expectation, then grows 9% for the remaining 4.5 years, materially below Legrand's historical 13% organic data-center comparable. The normalization is acquisition perimeter, not organic growth.

Bear case growth assumptions

Product / geography / end market	Historical CAGR anchor	Latest YoY	Management FY+1 guide	Bear growth / perimeter rule	2031 revenue
EMEA electrical products	Products 5.9%	Segment 18% organic; line n/d	No line guide	3.0%	$2.666B

Product / geography / end market	Historical CAGR anchor	Latest YoY	Management FY+1 guide	Bear growth / perimeter rule	2031 revenue
EMEA systems and services	Systems 5.7%	Segment 18% organic; line n/d	No line guide	3.5%	$1.900B
APAC electrical products	Products 5.9%	APAC previously double digit; line n/d	No line guide	4.0%	$1.825B
APAC systems and services	Systems 5.7%	Segment 18% organic; line n/d	No line guide	4.5%	$1.184B
Hazardous, fire, emergency products	Products 5.9%	n/d	No line guide	2.0%	$0.283B
Rest-of-world engineered systems/services	Systems 5.7%	n/d	No line guide	2.5%	$0.577B
Boyd thermal management	Boyd 2025 sales $1.1B; not segment CAGR	Q2 acquisition contribution 25%	2026 expected sales $1.7B	Normalize to $1.7B FY2026, then 3.0% for 4.5 years	$1.942B

The bear case is not a collapse. Electrical safety, replacement, and installed-base demand remain durable. The downside is a data-center digestion period, slower European construction and industrial production, weaker China-related demand, project deferrals, and more price competition. After normalizing the acquired perimeter to the disclosed FY2026 expectation, Boyd grows only 3% as hyperscaler cooling architectures change, competitors add capacity, and the business laps its initial step-up. This is conservative relative to current backlog but defensible for a five-year cycle.

Bull case growth assumptions

Product / geography / end market	Historical CAGR anchor	Latest YoY	Management FY+1 guide	Bull growth / perimeter rule	2031 revenue
EMEA electrical products	Products 5.9%	Segment 18% organic; line n/d	No line guide	7.0%	$3.226B
EMEA systems and services	Systems 5.7%	Segment 18% organic; line n/d	No line guide	8.0%	$2.351B
APAC electrical products	Products 5.9%	APAC previously double digit; line n/d	No line guide	8.5%	$2.255B
APAC systems and services	Systems 5.7%	Segment 18% organic; line n/d	No line guide	10.5%	$1.565B
Hazardous, fire, emergency products	Products 5.9%	n/d	No line guide	5.5%	$0.335B
Rest-of-world engineered systems/services	Systems 5.7%	n/d	No line guide	7.0%	$0.715B
Boyd thermal management	Boyd 2025 sales $1.1B; not segment CAGR	Q2 acquisition contribution 25%	2026 expected sales $1.7B	Normalize to $1.7B FY2026, then 13.0% for 4.5 years	$2.946B

The bull case assumes sustained grid, commercial-building, industrial-electrification, and data-center investment across EMEA and APAC. Systems outgrow products because Eaton captures more assemblies, power quality, services, and engineered content. After the same acquisition-perimeter normalization, Boyd matches Legrand's disclosed 2019-2024 organic data-center CAGR rather than exceeding it. This avoids using an unsupported 20%-30% cooling CAGR while still recognizing a strong AI infrastructure cycle.

Year-by-year thesis consistency and deceleration

The legacy-product tables express five-year equivalent CAGRs. Boyd instead uses the explicit partial-period-to-full-year acquisition normalization above. The following paths are reconstructed from those line assumptions at each anniversary: legacy lines compound from the TTM anchor, while Boyd compounds from the $1.7 billion FY2026 full-year economic base for 0.5, 1.5, 2.5, 3.5, and 4.5 years. Each path therefore ends exactly at the corresponding line-item rollup and does not disguise the acquisition step as organic growth.

Case	TTM 2026-06-30	2027-06-30	2028-06-30	2029-06-30	2030-06-30	2031-06-30
Bear revenue	$7.916B	$9.087B	$9.393B	$9.710B	$10.038B	$10.377B
Bear YoY	n/a	14.8%	3.4%	3.4%	3.4%	3.4%
Base revenue	$7.916B	$9.311B	$9.917B	$10.564B	$11.256B	$11.995B
Base YoY	n/a	17.6%	6.5%	6.5%	6.5%	6.6%
Bull revenue	$7.916B	$9.489B	$10.336B	$11.264B	$12.280B	$13.394B
Bull YoY	n/a	19.9%	8.9%	9.0%	9.0%	9.1%

The first-year reported increases are not organic forecasts: they mainly replace a partial-period Boyd contribution in TTM with a full-period economic base. After that perimeter normalization, the base path settles near 6.5%, consistent with Q4 2025 pre-Boyd organic growth of 6%, while the bear settles near 3.4% and the bull near 9.0%. Q2 2026 organic growth of 18% and Legrand's 13% five-year organic data-center comparable remain upside context, not terminal growth assumptions.

9. Forward Segment operating profit (loss) margin assumptions

The table below uses **Segment operating profit (loss)** only. TTM line margins are analyst allocations calibrated to reproduce the sealed $1.543 billion segment profit within $0.5 million: $7.916 billion multiplied by a 19.49% unrounded blended margin equals $1.5425 billion, displayed as $1.543 billion. No corporate, unallocated, amortization, restructuring, integration, interest, tax, or statutory-bridge adjustment is included.

Product / geography / end market	Estimated TTM revenue	Estimated TTM margin	Bear 2031 margin	Base 2031 margin	Bull 2031 margin
EMEA electrical products	$2.300B	18.0%	16.5%	18.5%	19.5%
EMEA systems and services	$1.600B	20.5%	18.5%	21.5%	23.0%
APAC electrical products	$1.500B	18.0%	17.0%	18.5%	20.0%
APAC systems and services	$0.950B	20.5%	19.0%	22.0%	24.0%
Hazardous, fire, emergency products	$0.256B	20.0%	18.5%	20.5%	21.5%
Rest-of-world engineered systems/services	$0.510B	20.5%	18.0%	21.0%	22.5%
Boyd thermal management	$0.800B	22.5%	18.0%	24.5%	27.0%
Blended Segment operating profit (loss) margin	**$7.916B**	**19.49%**	**17.66%**	**20.88%**	**22.58%**

The bear margin falls 184 basis points from the sealed 19.5% headline. The mechanisms are explicit: volume under-absorption after capacity investment, adverse price-cost, project delays, competitive bids, integration friction, and cooling mix that grows less than planned. Boyd falls 450 basis points in the line model because its acquired growth disappoints while manufacturing, engineering, and qualification costs remain. Systems margins also compress as projects are delayed or repriced. The result remains profitable because replacement demand, certification, and installed-base pull-through prevent a commodity-style collapse.

The base margin rises about 138 basis points. The larger blended change versus the old draft comes from correctly giving the full-year-normalized Boyd line its terminal revenue weight, not from allocating corporate costs or inventing a margin plug. Systems and services gain 100-150 basis points through scale and mix. Boyd gains 200 basis points as integration, procurement, factory loading, and cross-selling mature. EMEA and APAC products gain only 50 basis points, consistent with competitive component markets. The base case deliberately does not assign acquisition amortization savings to the segment; amortization is a separate verified bridge line for synthesis.

The bull margin rises about 308 basis points. More than 100 basis points requires real operating mechanisms: a greater share of engineered systems, fewer expedite and ramp costs, full Boyd procurement and capacity leverage, high-value liquid-cooling mix, better plant absorption, and sustained pricing on mission-critical equipment. Boyd at 27% is demanding but not impossible for differentiated thermal content. It is not the base because competitors are investing and customer architecture is evolving.

Segment capex remains a reinvestment requirement even when profit rises. The model does not convert higher revenue into margin without acknowledging factories, engineering, and working capital. Still, capital expenditure itself is not deducted from Segment operating profit (loss); it belongs in the consolidated cash-flow analysis. This preserves metric identity.

10. Segment rollup: bottoms-up arithmetic tie

Bear case rollup

Product / geography / end market	2031 revenue	Segment operating profit (loss) margin	Segment operating profit (loss)
EMEA electrical products	$2.666B	16.5%	$0.440B
EMEA systems and services	$1.900B	18.5%	$0.352B
APAC electrical products	$1.825B	17.0%	$0.310B

Product / geography / end market	2031 revenue	Segment operating profit (loss) margin	Segment operating profit (loss)
APAC systems and services	$1.184B	19.0%	$0.225B
Hazardous, fire, emergency products	$0.283B	18.5%	$0.052B
Rest-of-world engineered systems/services	$0.577B	18.0%	$0.104B
Boyd thermal management	$1.942B	18.0%	$0.350B
Electrical Global total	**$10.377B**	**17.66%**	**$1.832B**

Unrounded revenue is $10.376997 billion and unrounded profit is $1.832368 billion. The displayed line sums differ only by rounding; the unrounded blended margin is 17.6580%.

Base case rollup

Product / geography / end market	2031 revenue	Segment operating profit (loss) margin	Segment operating profit (loss)
EMEA electrical products	$2.935B	18.5%	$0.543B
EMEA systems and services	$2.141B	21.5%	$0.460B
APAC electrical products	$2.055B	18.5%	$0.380B
APAC systems and services	$1.396B	22.0%	$0.307B
Hazardous, fire, emergency products	$0.311B	20.5%	$0.064B
Rest-of-world engineered systems/services	$0.651B	21.0%	$0.137B
Boyd thermal management	$2.505B	24.5%	$0.614B
Electrical Global total	**$11.995B**	**20.88%**	**$2.505B**

Unrounded revenue is $11.995316 billion and unrounded profit is $2.505046 billion. The unrounded blended margin is 20.8835%. The five-year reported revenue CAGR is 8.67%, and Segment operating profit (loss) grows at approximately 10.18% from the $1.543 billion sealed anchor. The revenue CAGR includes the conversion from partial-period to full-year Boyd ownership; it is not an organic-growth claim.

Bull case rollup

Product / geography / end market	2031 revenue	Segment operating profit (loss) margin	Segment operating profit (loss)
EMEA electrical products	$3.226B	19.5%	$0.629B
EMEA systems and services	$2.351B	23.0%	$0.541B
APAC electrical products	$2.255B	20.0%	$0.451B
APAC systems and services	$1.565B	24.0%	$0.376B
Hazardous, fire, emergency products	$0.335B	21.5%	$0.072B
Rest-of-world engineered systems/services	$0.715B	22.5%	$0.161B
Boyd thermal management	$2.946B	27.0%	$0.796B
Electrical Global total	**$13.394B**	**22.58%**	**$3.025B**

Unrounded revenue is $13.393706 billion and unrounded profit is $3.024897 billion. The blended margin is 22.5845%. The five-year reported revenue CAGR is 11.09%, while Segment operating profit (loss) compounds around 14.41%. This outcome requires both above-history organic growth and proven mix leverage after Boyd normalization; it is consequently assigned the lowest probability.

All scenario totals reconstruct from Sections 8 and 9 within far less than 1%. There is no separate top-down override. The exact TTM-to-horizon interval is 2026-06-30 to 2031-06-30, five calendar years.

11. Key risks and wildcards

[Bear] Data-center capital-cycle digestion. Electrical Global's order and backlog indicators are strong, and Boyd increases exposure to cooling. The same concentration creates risk if hyperscalers pause after a capacity wave, power interconnections delay campuses, or reserved capacity is released. Backlog is subject to customer releases and should not be treated as cash.

[Bear] Boyd integration and architecture risk. Eaton paid for a fast-growing thermal platform just as liquid-cooling designs are changing. Vertiv, Schneider, Legrand, nVent, Rittal, and specialist vendors are investing. A different coolant-distribution architecture or supplier qualification outcome could strand capacity or compress price. Cross-selling may take longer than expected.

[Bear] Europe and China macro weakness. EMEA recovery and APAC growth are management anchors, not guarantees. Weak construction, industrial recession, property stress, tariffs, export controls, or local-content policies could reduce project volumes. China-based suppliers may compete aggressively on price in domestic and export markets.

[Bear] Price-cost and currency. Copper, steel, electronics, freight, and labor can move faster than project pricing. A stronger U.S. dollar reduces translated revenue and profit. Hedging can reduce but not eliminate transaction and translation risk.

[Bear and Base] Capacity conversion. Capex and new manufacturing capability create an opportunity to ship backlog but also raise fixed costs before utilization. Supplier bottlenecks, labor availability, qualification, quality escapes, and commissioning delays can reduce incremental margins.

[Base] Mix realization. The model depends on systems and Boyd growing faster than commoditized products. If all categories grow at the same rate, the 20.88% base margin is less likely. Monitoring should focus on organic growth, backlog conversion, segment margin, capex, and evidence that Boyd adds systems revenue rather than only acquired volume.

[Bull] Integrated power-plus-cooling wins. Eaton may become more valuable to data-center customers if it integrates electrical distribution, protection, power quality, and thermal management into validated architectures. This can increase content per site, shorten deployment time, and improve margins. The bull case requires observable design wins and not just broad AI commentary.

[Bull] Grid and electrification acceleration. Data centers, renewable integration, resilience, industrial electrification, and building efficiency can sustain investment across EMEA and APAC. A persistent equipment shortage could preserve price and factory absorption longer than expected.

[All cases] Technology substitution. Higher-voltage DC, solid-state power electronics, modular substations, on-site generation, microgrids, software-defined controls, immersion cooling, and new liquid loops redistribute value. Eaton can innovate into these markets, but legacy certification and installed base do not guarantee leadership in every new architecture.

[All cases] Disclosure limits. Eaton does not disclose Electrical Global named-product dollars, product margins, service mix, geographic revenue, unit capacity, utilization, ASP, channel inventory, or a separate Boyd TTM line. The model's allocations are transparent estimates tied to the exact sealed totals. These gaps should be treated as forecast uncertainty, not filled with false precision.

Scenario summary

Probabilities are deliberately non-uniform: **25% bear, 55% base, and 20% bull**. Base receives the highest weight because backlog, positive book-to-bill, APAC strength, EMEA recovery, and Boyd support growth, while the segment's stable historical 18%-20% margin argues against both collapse and immediate 22%+ profitability. Bear is weighted above bull because acquisition integration, capacity conversion, data-center architecture, international macro, and competitive risks are more numerous than the conditions required for exceptional upside. These probabilities apply to the normalized Boyd perimeter in all three cases; they do not assign probability to whether already-closed Boyd is consolidated.

Case	Segment TTM+5y Revenue	Exact profit metric	Segment TTM+5y Profit Margin	Segment TTM+5y Profit	Probability
Bear	$10.377B	Segment operating profit (loss)	17.66%	$1.832B	25%
Base	$11.995B	Segment operating profit (loss)	20.88%	$2.505B	55%
Bull	$13.394B	Segment operating profit (loss)	22.58%	$3.025B	20%

The probability-weighted 2031 revenue is approximately **$11.870 billion** and probability-weighted Segment operating profit (loss) is approximately **$2.441 billion**. Those are expected-value diagnostics, not a fourth scenario. Corporate and statutory

adjustments remain entirely outside this segment appendix for synthesis.

Data gaps carried forward

- [DATA GAP: No Electrical Global service revenue, gross margin, installed-base revenue, or aftermarket mix.]
- [DATA GAP: No official market share for the exact Electrical Global perimeter.]
- [DATA GAP: No segment-specific FY2026 or five-year revenue, product, geography, Boyd synergy, or Segment operating profit (loss) margin guidance.]
- [DATA GAP: No TTM Electrical Global product, end-market, or geography split; analytical allocations are estimates calibrated to sealed totals.]
- [DATA GAP: No named-equipment revenue for data centers, switchgear, transformers, UPS, hazardous equipment, or cooling.]
- [DATA GAP: No unit capacity, utilization, ASP, segment inventory-days, or channel-inventory series.]
- [DATA GAP: No separately disclosed Boyd post-close TTM revenue or Segment operating profit (loss).]

These gaps do not prevent a conservative bottoms-up forecast because the sealed segment totals, product history, quarterly growth bridge, order/backlog indicators, capex, and exact profit basis are sufficient to bound outcomes. They do prevent treating any sub-line estimate as an issuer-reported historical fact.

Eaton Aerospace - Segment Deep Dive

Information cutoff: 2026-08-02. **Forecast anchor:** TTM ended 2026-06-30. **Exact horizon:** 2031-06-30, exactly five calendar years after the TTM anchor. **Currency:** USD. Tables use USD millions unless stated otherwise. **Exact forecast profit basis: Segment operating profit (loss)**. This appendix is research-only: `trade_execution_authorized=false`; it has no trade, broker, portfolio-mutation, message, ranking, or sizing authority.

The controlling source for Eaton historical figures, management commentary, taxonomy, and accounting classification is `data_package.md`, whose Section 3a contains `STATUTORY_BRIDGE_STATUS: VERIFIED - CLEARED FOR FORECASTING`. The sealed bridge SHA-256 is `93a3c2f30d336f1f1455c8b247ac73eeb012e1eb1840cb936ff7edcc7f0af923`; the verified quote-packet SHA-256 is `de87e41d84b51ab60c3074ba85b035cec205811cfe46370f8b760c4bd0cf01e5`. No historical Eaton financial or quote was re-fetched for this appendix.

0. Segment boundary and taxonomy note

Aerospace is a stable reportable segment across the FY2021-FY2025 history and the TTM period used here. Eaton's Q1 FY2026 reporting change combined Vehicle and eMobility into Mobility; it did not restate the Aerospace boundary. Aerospace comprises fuel, hydraulic, pneumatic, electrical-power and motion-control systems, mission-critical aerospace systems, commercial and military aftermarket activity, and industrial filtration. Ultra PCS entered the segment in January 2026 and therefore changes the economic perimeter of the TTM anchor without changing the reportable-segment name. The model compounds from the official $4.552 billion TTM segment total, so the acquired perimeter already present in H1 FY2026 is included. No old-taxonomy dollar series is mixed into the forecast.

1. What this segment actually is

Eaton Aerospace is a portfolio of high-consequence components, subsystems, and lifecycle services used to move, meter, control, distribute, and condition fluids, gases, motion, and electrical power in aircraft, defense systems, launch vehicles, and selected industrial applications. The segment is not an aircraft manufacturer and does not sell a single monolithic "Eaton system." It wins positions on platforms and applications, then supplies original equipment, spares, repairs, upgrades, and technical support over long operating lives.

Its fuel portfolio includes pumps, valves, measurement and management, distribution, tank inerting, and aerial-refueling equipment. Hydraulic and motion-control offerings include pumps, motors, generators, power packs, accumulators, actuators, and control equipment. Fluid and air-conveyance products include hoses, tubes, ducts, couplings, and fittings designed for demanding pressure, temperature, weight, and reliability requirements. Other capabilities include oxygen and life-support equipment, engine solutions, aircraft electrical-power conversion and distribution, and mission systems. Ultra PCS extends the segment toward electronic controls, sensing, stores-ejection, and data-processing solutions for civilian and defense platforms. Eaton's official aerospace portfolio page describes a broad set of engine, fuel, hydraulic, motion-control, oxygen, electrical-power, conveyance, commercial, military, aftermarket, ground-support, and space applications ([Eaton Aerospace portfolio](https://www.eaton.com/us/en-us/markets/aerospace.html)).

The customer base spans commercial airframers and engine makers, defense prime contractors, government end users, airlines, maintenance providers, distributors, industrial customers, and operators of installed Eaton equipment. Revenue is recognized through three disclosed channels. **OEM** is original equipment for commercial and military aircraft. **Aftermarket** includes replacement parts, repairs, overhauls, retrofits, upgrades, used serviceable material, and related support for commercial and military installed equipment. **Industrial and Other** includes industrial filtration and other activities that Eaton does not split more finely in dollars.

The go-to-market model is design-in intensive. For a new aircraft or defense program, Eaton engineers must meet platform-specific performance, safety, weight, certification, and integration requirements. A successful selection can create a multiyear production stream and, more importantly, a long tail of installed-base aftermarket demand. Qualification and certification make supplier changes costly, but pricing is not unconstrained: powerful OEMs negotiate hard, production contracts can embed learning-curve or productivity expectations, and a supplier that fails on quality or delivery risks both penalties and future awards.

Aftermarket economics differ. Aircraft availability is valuable, downtime is expensive, regulatory traceability matters, and an incumbent OEM supplier owns product knowledge, approved repair procedures, and a network of service capabilities. Eaton says its aftermarket offer spans repairs, retrofits, modifications, upgrades, used serviceable material, field support, and 24/7

aircraft-on-ground response ([Eaton aftermarket services](https://www.eaton.com/us/en-us/markets/aerospace/aftermarket-services.html)). That does not make every spare immune to competition-airlines can seek approved alternatives, used parts, independent repair, or bundled agreements-but it generally makes aftermarket revenue more recurring and higher margin than initial production.

The industrial-filtration portion is economically distinct. Demand follows industrial production, process investment, consumables replacement, and filtration standards more than commercial aircraft delivery rates. It offers diversification but less platform lock-in than certified aerospace hardware. Because Eaton aggregates filtration with “Other,” neither its standalone scale nor its standalone margin can be observed. The model therefore treats Industrial and Other as one line and assigns it a lower growth and lower terminal margin than aftermarket.

2. Current economics: TTM ended 2026-06-30

TTM revenue was **$4.552 billion**, up from FY2025 revenue of $4.249 billion, and TTM **Segment operating profit (loss)** was **$1.129 billion**, implying a **24.80%** margin. These are the official, sealed forecast anchors [Eaton Q2 FY2026 Form 10-Q, Business Segment Information; data_package §1, Current segment Aerospace row; §3a, TTM Aerospace bridge row]. FY2025 revenue grew 13.5%, after 9.7% in FY2024 and 12.3% in FY2023 [Eaton 2025 Form 10-K, Business Segment Information; data_package §3, Aerospace YoY row]. The recent quarterly cadence remained strong but volatile: Q3 FY2025 revenue was $1.079 billion with 25.9% margin; derived Q4 revenue was $1.111 billion with 24.0% margin; Q1 FY2026 revenue was $1.139 billion with 26.7% margin; and Q2 revenue was $1.222 billion with 22.8% margin [Eaton Q3 FY2025 presentation; FY2025 Form 10-K less official 9M for Q4; Q1 FY2026 presentation/release; Q2 FY2026 filed release; data_package §5, Aerospace quarter rows]. The Q2 compression illustrates why a single quarter should not become the terminal margin.

The finest disclosed FY2025 revenue split was OEM $1.640 billion, Aftermarket $1.553 billion, and Industrial and Other $1.055 billion [Eaton 2025 Form 10-K, Note 3; data_package §4, Aerospace product rows]. Those lines sum to $4.248 billion versus the segment’s $4.249 billion due to disclosure rounding. On that rounded product denominator, the mix was approximately 38.6% OEM, 36.6% Aftermarket, and 24.8% Industrial and Other. Aftermarket was therefore nearly as large as OEM and grew faster in FY2025, a favorable mix characteristic.

Eaton does not disclose a TTM channel split. To make the forward rollup reconstructable, the model allocates the $4.552 billion TTM anchor in proportion to the FY2025 channel mix: $1,757.4 million OEM, $1,664.1 million Aftermarket, and $1,130.5 million Industrial and Other. This is a transparent modeling allocation, not an issuer-disclosed TTM history. It does not assign a separate revenue value to Ultra PCS because the data package does not provide one. All three lines therefore include a pro-rata share of the TTM perimeter change rather than inventing an acquisition bridge.

Aerospace capital expenditure was $78 million in FY2021, $92 million in FY2022, $97 million in FY2023, $83 million in FY2024, and $103 million in FY2025; H1 FY2026 capex was $39 million [Eaton 2022/2025 Forms 10-K and Q2 FY2026 Form 10-Q, segment capital-expenditure tables; data_package §0a, Aerospace row]. FY2025 capex equaled about 2.4% of segment revenue. That looks modest relative to the segment’s 23.8% FY2025 profit margin, but it is not a complete measure of reinvestment. Program engineering, qualification, software, test capability, tooling, and customer-specific development can run through operating expense or working capital rather than capex. Eaton does not disclose Aerospace R&D, working capital, or identifiable assets in the data package, so a clean segment ROIC cannot be computed. **[DATA GAP: segment R&D, working capital, depreciation, and identifiable assets are not reproduced in the data package.]**

Demand visibility is unusually high. Firm Aerospace backlog rose from $2.4 billion in FY2021 to $2.8 billion in FY2022, $3.2 billion in FY2023, $3.7 billion in FY2024, and $4.3 billion in FY2025; Q2 FY2026 backlog was up 28% year over year [Eaton Q4 FY2025 presentation and Q2 FY2026 filed release; data_package §0a, Firm backlog Aerospace row]. Book-to-bill was 1.1 in each of FY2023-FY2025 and 1.2 on a TTM basis at Q2 FY2026 [Eaton annual reports and Q2 FY2026 filed release; data_package §0a, Book-to-bill Aerospace row]. Rolling-twelve-month orders accelerated from 10% growth at Q2 FY2025 to 11% at Q3 and Q4, 13% at Q1 FY2026, and 17% at Q2 FY2026 [Eaton Q2-Q4 FY2025 and Q1 FY2026 calls; Q2 FY2026 filed release; data_package §4, Aerospace Orders row; §6, Aerospace Q2 release row]. Backlog is not guaranteed revenue: Eaton warns that many open orders remain subject to customer releases. Nevertheless, orders above shipments provide a strong starting point for the five-year forecast.

The segment has no disclosed physical-unit, installed-capacity, utilization, ASP, inventory-days, throughput, or platform-by-platform revenue series. **[DATA GAP: unit volumes, ASP, utilization, production capacity, and platform/customer revenue concentration are not separately disclosed.]** No single customer exceeded 10% of consolidated Eaton sales in FY2023-FY2025, but that group-level statement does not prove that Aerospace lacks material

concentration in major airframers or defense primes [data_package §1, geography and customer paragraph].

3. Unit economics

The economic engine begins with program selection. Eaton incurs engineering, application-development, qualification, testing, certification, manufacturing-readiness, and customer-support cost before production reaches scale. OEM pricing may initially produce lower margin because the supplier is recovering launch inefficiencies, managing schedule changes, and meeting contractual productivity. As the program matures, learning, yield, procurement, and utilization can improve. Conversely, an airframer production stop, supplier shortage, redesign, or quality escape can strand labor and overhead even when the long-term backlog remains intact.

The aftermarket engine monetizes the installed base. Flight cycles, aircraft age, utilization, scheduled maintenance, unscheduled removals, reliability upgrades, and regulatory requirements create service events. The incumbent can sell proprietary spares, repair work, overhauls, retrofits, and upgrades. An aircraft-on-ground event places a premium on availability and fast response. The core margin advantages are lower initial program-development burden per revenue dollar, price tied to uptime value rather than only manufacturing cost, and a long tail after aircraft delivery. The disadvantages are airline bargaining, surplus parts, repair alternatives, inventory requirements, and periodic destocking.

Industrial and Other is more conventional. Filtration products can create recurring replacement demand, but pricing and competitive intensity depend on application criticality, consumables attachment, distributor economics, and the availability of alternatives. Industrial demand can fall quickly during recessions. The combined line is therefore less protected than certified aerospace spares and receives the most conservative growth profile in each scenario.

Labor, specialty metals, electronics, castings, forgings, sensors, and certified subcomponents are important cost inputs. In aerospace, a nominally available substitute may still require validation, so supply disruption can be costly. Contractual price escalators and customer negotiations may recover inflation with a lag. Tariffs, export controls, and defense-contract rules can create further friction. A broad global manufacturing and service footprint supports delivery and responsiveness, but it also adds fixed cost and execution complexity.

Margins are sensitive to mix. The 25.9% Q3 FY2025 margin was accompanied by strong sales growth; management attributed the 150-basis-point year-over-year expansion primarily to volume [data_package §6, Aerospace Q3 quote row]. Q1 FY2026 reached 26.7%, while Q2 fell to 22.8% [data_package §5, Aerospace quarter rows]. The data package notes that Q1 was gain-assisted and Q2 fell sequentially, reinforcing that reported quarterly margin can reflect transaction or mix timing as well as underlying incrementals. The five-year model therefore uses TTM 24.8% as the anchor and requires explicit channel mix and operating mechanisms for terminal changes.

Reinvestment is not optional. Eaton must fund qualification for new platforms, capacity for backlog conversion, digital controls and sensing, mission-system integration, repair capability, and support inventory. Ultra PCS adds higher-growth mission content but also integration risk. The segment can generate attractive incremental profit when shipment volume rises through existing engineering and support infrastructure, yet an overly aggressive margin forecast would ignore the cost of keeping technology and certification positions current.

4. Competitive dynamics

Competition is product- and program-specific rather than a single industry share battle. Parker-Hannifin’s Aerospace Systems segment overlaps in flight-control, hydraulic, fuel, pneumatic, thermal-management, fluid-conveyance, and related equipment. Parker’s official FY2025 annual report reported Aerospace Systems sales of $6.185 billion, operating margin of 23.3%, and backlog of $7.389 billion; it attributed margin improvement to volume, favorable aftermarket mix, cost containment, and integration benefits ([Parker FY2025 annual report](https://investors.parker.com/sec-filings/all-sec-filings/content/0000076334-25-000042/a2025annualreport.pdf)). Parker is the closest clean public comparator, although its portfolio and accounting basis differ from Eaton’s.

Collins Aerospace competes across power and controls, actuation, avionics, structures, interiors, mission systems, and service. RTX reported 2025 Collins sales of $30.196 billion and adjusted operating margin of 16.2%; Q4 commercial OE sales rose 9% and commercial aftermarket 13% excluding divestitures ([RTX 2025 results](https://www.rtx.com/news/news-center/2026/01/27/rtx-reports-2025-results-and-announces-2026-outlook)). Collins is much larger and broader, so its margin is not a direct benchmark, but its commercial OE and aftermarket growth supports the same demand backdrop while demonstrating the scale of a formidable competitor.

Safran competes in landing systems, electrical generation, distribution and conversion, interconnection systems, motors, and lifecycle support. Safran describes itself as number two worldwide in aircraft electrical equipment and a supplier across leading Airbus, Boeing, and military platforms ([Safran aircraft equipment](https://www.safran-group.com/group/profile/aircraft-equipment)). Honeywell competes in avionics, engines, auxiliary power units, wheels and brakes, and service solutions. Woodward and Moog compete in fuel controls, actuation, motion control, and other specialized niches. The competitive map is therefore dense: Eaton's moat depends on specific certified positions and execution, not on an uncontested category.

Pricing power is strongest where Eaton is designed into a safety-critical application, owns approved technical data and repair processes, and can restore aircraft availability quickly. It is weaker during initial OEM sourcing, on commoditizable hardware, and where an airframer deliberately dual-sources. Defense programs can be attractive because qualification and mission requirements are demanding, but they add procurement scrutiny, audit rights, export controls, and budget timing.

Commercial demand has strong long-duration support. Airbus's official 2025 services forecast expects the global fleet to exceed 49,000 aircraft and the services market to reach $311 billion by 2044, nearly doubling, with 44% of new deliveries replacing older aircraft ([Airbus Global Services Forecast](https://www.airbus.com/en/products-services/commercial-aircraft/global-services-forecast)). Those figures are industry forecasts, not Eaton revenue guidance. They support a durable installed-base and utilization opportunity but do not remove near-term airframer bottlenecks, airline cycles, or share risk.

Entry barriers include certification, safety track record, program-specific intellectual property, qualification expense, installed-base documentation, traceability, repair approvals, and customer trust. Yet substitution is real over long periods. Aircraft architectures can become more electric, hydraulic content can shift, additive manufacturing can alter supply chains, predictive maintenance can change part consumption, and OEMs can rebid work on new platforms. Eaton is participating in electrical power and electronic mission systems, which helps, but incumbency on a retiring aircraft does not guarantee a win on its replacement.

No reliable official source in the reviewed pack provides Eaton's market share by aerospace product, platform, or channel. **[DATA GAP: Eaton Aerospace product-level market shares and platform concentration are not disclosed.]** Any claim that Eaton is "number one" across the segment would overstate the evidence. The defensible conclusion is narrower: Eaton has meaningful, diversified positions across critical aerospace systems and a sizable aftermarket, while facing capable diversified and specialist rivals.

5. Moat at the segment level

The strongest moat is the installed base created by certified program positions. Once a fuel, hydraulic, pneumatic, actuation, oxygen, electrical, or mission-control product is engineered and approved on a platform, replacement is costly and slow. The supplier accumulates design knowledge, field data, approved repair procedures, and customer relationships. Each delivered aircraft can generate years of spares and service demand. This mechanism is visible in the channel economics: Aftermarket grew from $1.183 billion in FY2023 to $1.553 billion in FY2025, faster than OEM over the same period [Eaton 2025 Form 10-K, Note 3; data_package §4, Aerospace Aftermarket row].

The second moat layer is breadth. Eaton can offer multiple systems and components across fuel, conveyance, hydraulics, motion control, electrical power, oxygen, and mission systems. Breadth can increase content per platform and improve customer relevance, but it matters only when paired with competitive technology and execution. The 2025 Investor Conference highlighted a Bell FLRAA position spanning hydraulic and fuel components, conveyance, and aerial-refueling probes, illustrating multi-system content on a future platform ([Eaton 2025 Aerospace investor presentation](https://www.eaton.com/content/dam/eaton/company/investor-relations/financial-reports/aic-2025/eaton-aerospace-sapp-2025.pdf)).

The third layer is service responsiveness. Eaton's global repair and support network, OEM-certified repairs, 24/7 AOG service, and ability to supply spares or used serviceable material make it costly for operators to switch in urgent situations. This is a service moat rather than a pure patent moat. It must be renewed through turnaround time, fill rate, repair quality, and customer experience.

The moat is not absolute. Airframers and defense primes have bargaining power and can demand price, productivity, and delivery commitments. New-platform competitions reopen supplier positions. Quality failures can destroy trust quickly. Surplus material and independent MRO can pressure selected aftermarket categories. A product that becomes technologically obsolete can lose its installed-base benefit as fleets retire. Industrial filtration likely has a weaker moat than flight-certified products.

Over five to ten years, the moat appears durable enough to protect above-average segment margins but not to guarantee continual expansion. TTM margin of 24.8% is slightly above Parker Aerospace Systems' 23.3% FY2025 reported margin and materially above Collins' 16.2% adjusted margin, though accounting and portfolio differences prevent direct ranking. The bear case assumes moat remains but customer and mix pressure reduce margin to 22.74%; the base case allows measured expansion to 26.18%; the bull case reaches 27.88% only with strong aftermarket mix, defense content, integration, and execution.

6. Historical growth rates reproduced from the data package

The table uses FY2023-FY2025 because the data package provides three channel-level dollar years. Segment totals are available for five years, but no comparable channel split before FY2023 is included. Every historical dollar cell below maps to a specific data-package row. CAGRs are calculations from those cited endpoints; no channel dollars are back-solved.

Product / sub-segment	FY2023 revenue	FY2024 revenue	FY2025 revenue	2-year CAGR	Most recent YoY	Data package cite
Aerospace segment total	$3.413B [§3 Aerospace Revenue row]	$3.744B [§3 Aerospace Revenue row]	$4.249B [§3 Aerospace Revenue row]	11.6% [calculated from §3 Aerospace Revenue row]	13.5% [§3 Aerospace YoY row]	Eaton 2025 Form 10-K, Business Segment Information; data_package §3
OEM	$1.350B [§4 Aerospace OEM row]	$1.500B [§4 Aerospace OEM row]	$1.640B [§4 Aerospace OEM row]	10.2% [calculated from §4 Aerospace OEM row]	9.3% [calculated from §4 Aerospace OEM row]	Eaton 2025 Form 10-K, Note 3; data_package §4
Aftermarket	$1.183B [§4 Aerospace Aftermarket row]	$1.312B [§4 Aerospace Aftermarket row]	$1.553B [§4 Aerospace Aftermarket row]	14.6% [calculated from §4 Aerospace Aftermarket row]	18.4% [calculated from §4 Aerospace Aftermarket row]	Eaton 2025 Form 10-K, Note 3; data_package §4
Industrial and Other	$0.878B [§4 Aerospace Industrial and Other row]	$0.931B [§4 Aerospace Industrial and Other row]	$1.055B [§4 Aerospace Industrial and Other row]	9.6% [calculated from §4 Aerospace Industrial and Other row]	13.3% [calculated from §4 Aerospace Industrial and Other row]	Eaton 2025 Form 10-K, Note 3; data_package §4

Arithmetic checks against the most recent disclosed YoY movement all pass the required 2% tolerance:

- Segment total: $3.744B × 1.135 = $4.249B, matching disclosed FY2025 revenue.
- OEM: $1.500B × 1.0933 = $1.640B.
- Aftermarket: $1.312B × 1.1837 = $1.553B.
- Industrial and Other: $0.931B × 1.1332 = $1.055B.

The product rows sum to $4.248 billion in FY2025 versus the reported $4.249 billion segment total, a $1 million or 0.02% disclosure-rounding difference. No smoothing adjustment is inserted into any historical product row.

7. Management guidance and forward commentary from data package Section 6

Data package row	Management statement or disclosed indicator	Interpretation for the model
§6 Aerospace, Q2 FY2026 release	Rolling-12-month orders rose 17%, backlog rose 28%, and book-to-bill increased to 1.2.	Demand is running ahead of shipments. It supports above-market near-term growth but not indefinite 17% revenue growth because backlog conversion, releases, and supply constraints matter.
§6 Aerospace, Q1 FY2026 call, 2026-05-05, Paulo Ruiz	"Rolling 12-month orders are up in all businesses, 42% in Electrical Americas and 13% in both Electrical Global and Aerospace."	Aerospace demand had accelerated from the 10-11% order-growth range reported through late 2025.
§6 Aerospace, Q4 FY2025 call, 2026-02-03, Olivier Leonetti	"Organic sales growth of 20% remained at a high level and resulted in quarterly record sales, with broad-based strength across all markets."	Growth was broad rather than dependent on one channel, but the 20% quarter is too high to extrapolate for five years.
§6 Aerospace, Q3 FY2025 call, 2025-11-04, Olivier Leonetti	"Operating margin expanded by 150 basis points to 25.9%, driven primarily by sales growth."	Volume leverage is real. Mix and timing remain important because Q2 FY2026 margin later fell to 22.8%.
§6 Aerospace, Q2 FY2025 call, 2025-08-05, Paulo Ruiz	"This acquisition strengthens our position in the fast-growing next-generation aerospace and defense markets."	Ultra PCS is intended to increase mission-critical defense content. The model includes its acquired TTM perimeter but does not invent acquisition revenue or synergy.
§6 Aerospace, 2025 Investor Conference, 2025-03-11	The presentation identified record commercial aircraft backlog as a generational growth support.	Long-cycle commercial production and aftermarket demand are supportive; supplier and airframer execution determine conversion.

There is no Aerospace-specific FY2026 revenue-growth or margin guide in data_package Section 6. The Q2 group guide was 11-13% organic growth and 24.1-24.5% segment margin, but it covers all Eaton segments and is not assigned mechanically to Aerospace [data_package §5, group guidance paragraph]. **[DATA GAP: no segment-specific FY2026 growth or margin guidance is reproduced.]** The current-quarter call transcript was unavailable after two retrieval attempts, so no Q2 call quote is invented [data_package §10, transcript gap].

8. Forward growth assumptions by product

Anchor construction

The model starts with disclosed TTM segment revenue of $4.552 billion and allocates it pro rata using FY2025 channel mix. This creates model anchors of **$1,757.4 million OEM**, **$1,664.1 million Aftermarket**, and **$1,130.5 million Industrial and Other**. These anchors sum to $4,552.0 million exactly at the displayed precision. Because Eaton does not disclose the TTM channel split, this is the minimum-assumption bridge. It avoids pretending to know whether Ultra PCS belongs wholly to OEM, aftermarket, or another channel.

Bear case growth assumptions

Product	Historical CAGR	Latest FY2025 YoY	Mgmt FY+1 guide	Bear CAGR TTM→2031-06-30	Concise justification
OEM	10.2%	9.3%	n/d [DATA GAP]	3.19%	Backlog cushions demand, but airframer constraints, program delays, and price/productivity pressure drive sharp deceleration.
Aftermarket	14.6%	18.4%	n/d [DATA GAP]	4.58%	Installed-base activity remains positive, but airline utilization, surplus parts, and destocking reduce growth.
Industrial and Other	9.6%	13.3%	n/d [DATA GAP]	0.99%	Industrial recession and filtration competition nearly flatten revenue despite replacement demand.

The bear path is conservative without assuming a collapse that conflicts with the current 1.2 book-to-bill and 28% backlog growth. OEM decelerates from 6% in year one to 1% in year five. Aftermarket decelerates from 7% to 2%. Industrial and Other turns negative in year five. This is what a backlog-rich cyclical downturn could look like: positive conversion early, then weak replenishment.

Bear growth path	2027-06-30	2028-06-30	2029-06-30	2030-06-30	2031-06-30
OEM YoY	6.0%	4.0%	3.0%	2.0%	1.0%
Aftermarket YoY	7.0%	6.0%	5.0%	3.0%	2.0%
Industrial and Other YoY	3.0%	2.0%	1.0%	0.0%	(1.0%)

Base case growth assumptions

Product	Historical CAGR	Latest FY2025 YoY	Mgmt FY+1 guide	Base CAGR TTM→2031-06-30	Concise justification
OEM	10.2%	9.3%	n/d [DATA GAP]	6.99%	Commercial and defense backlogs convert, but growth normalizes as production rates mature and the acquired step-up enters the base.
Aftermarket	14.6%	18.4%	n/d [DATA GAP]	8.58%	Fleet growth, utilization, aging, and service attachment sustain high-single-digit growth, below the exceptional FY2025 rate.
Industrial and Other	9.6%	13.3%	n/d [DATA GAP]	4.58%	Replacement and filtration demand outgrow industrial production modestly, with no heroic share assumption.

The base path explicitly decelerates. OEM falls from 9% to 5% as backlog converts. Aftermarket falls from 11% to 6% as unusually strong current growth normalizes. Industrial and Other falls from 7% to 2%. The resulting 7.0%/8.6%/4.6% five-year

CAGRs are all below their historical two-year CAGRs, despite strong current order evidence. This is consistent with a business whose end markets remain healthy but whose current growth includes recovery, backlog release, and acquisition-perimeter effects.

Base growth path	2027-06-30	2028-06-30	2029-06-30	2030-06-30	2031-06-30
OEM YoY	9.0%	8.0%	7.0%	6.0%	5.0%
Aftermarket YoY	11.0%	10.0%	9.0%	7.0%	6.0%
Industrial and Other YoY	7.0%	6.0%	5.0%	3.0%	2.0%

Bull case growth assumptions

Product	Historical CAGR	Latest FY2025 YoY	Mgmt FY+1 guide	Bull CAGR TTM→2031-06-30	Concise justification
OEM	10.2%	9.3%	n/d [DATA GAP]	9.99%	Airframers and defense primes execute, Eaton wins content, and Ultra PCS broadens mission-system exposure.
Aftermarket	14.6%	18.4%	n/d [DATA GAP]	11.58%	Utilization, fleet expansion, aging, repairs, upgrades, and service share sustain low-double-digit growth.
Industrial and Other	9.6%	13.3%	n/d [DATA GAP]	6.99%	Healthy industrial investment and filtration share gains maintain high-single-digit early growth.

The bull case does not hold current 17% order growth or 18.4% aftermarket growth for five years. OEM steps down from 12% to 8%, Aftermarket from 14% to 9%, and Industrial and Other from 9% to 5%. The case requires commercial production recovery, sustained defense demand, successful integration, and continued program wins. It is assigned the lowest probability because multiple favorable mechanisms must occur together.

Bull growth path	2027-06-30	2028-06-30	2029-06-30	2030-06-30	2031-06-30
OEM YoY	12.0%	11.0%	10.0%	9.0%	8.0%
Aftermarket YoY	14.0%	13.0%	12.0%	10.0%	9.0%
Industrial and Other YoY	9.0%	8.0%	7.0%	6.0%	5.0%

9. Forward Segment operating profit (loss) margin assumptions

Eaton does not disclose channel profit or channel margin. Product-level margins below are modeling assumptions calibrated to the exact 24.80% TTM segment margin; they are not historical claims. The current calibration assigns 21.0% to OEM, 30.0% to Aftermarket, and 23.05% to Industrial and Other. Applied to the pro-rata TTM revenue anchors, those assumptions reproduce the segment margin to rounding. The ordering reflects expected economics: OEM carries launch, qualification, and customer-productivity burdens; Aftermarket monetizes installed-base availability and proprietary support; Industrial and Other sits between them.

Product	Modeled TTM margin on Segment operating profit (loss) basis	Bear 2031 margin	Base 2031 margin	Bull 2031 margin	Primary mechanism
OEM	21.00%	19.00%	22.00%	23.50%	Volume, learning, pricing, program mix, launch and supply-chain execution
Aftermarket	30.00%	28.00%	31.50%	33.50%	Service mix, spares pricing, repair throughput, surplus competition, utilization
Industrial and Other	23.05%	20.00%	24.00%	25.50%	Industrial volume, filtration mix, price/cost, distributor and competitive pressure
Segment blended	24.80% actual anchor	22.74%	26.18%	27.88%	Revenue-weighted product outcome

The **bear blended margin declines 206 basis points** to 22.74%. The mechanisms are under-absorption from weaker volume, adverse OEM contract/product mix, slower recovery of labor and material inflation, industrial deleverage, and a less

favorable aftermarket mix. The segment still earns a strong margin because certified installed-base positions do not disappear, but it loses the current volume and mix benefit.

The **base blended margin expands 138 basis points** to 26.18%. This is driven by a rising aftermarket share, measured OEM learning and volume leverage, repair-network throughput, and integration of mission-system content. The increase is deliberately moderate. It does not treat Ultra PCS accretion as a disclosed synergy number and does not assume that every quarter resembles the 26.7% Q1 FY2026 peak.

The **bull blended margin expands 308 basis points** to 27.88%. This requires all major favorable mechanisms: strong commercial and defense conversion, better program mix, aftermarket growing faster than OEM, successful Ultra PCS integration, supply normalization, price/cost discipline, and sustained execution. The endpoint is high but not detached from observed quarterly capability; it remains only 118 basis points above the Q1 FY2026 margin. Its 20% probability recognizes that holding near-peak economics over a full TTM is harder than producing one strong quarter.

No intangible amortization, restructuring charge, other corporate expense, interest, tax, or statutory-bridge adjustment is allocated into these channel margins. Those items sit outside segment **Segment operating profit (loss)** and are the responsibility of consolidated synthesis. The segment forecast therefore remains mechanically compatible with the sealed bridge.

10. Segment rollup: bottom-up and reconstructable

Bear case rollup

Product	TTM anchor revenue	2031-06-30 revenue	5-year CAGR	2031 Segment operating profit (loss) margin	2031 Segment operating profit (loss)
OEM	$1,757.4m	$2,055.7m	3.19%	19.0%	$390.6m
Aftermarket	$1,664.1m	$2,082.1m	4.58%	28.0%	$583.0m
Industrial and Other	$1,130.5m	$1,187.6m	0.99%	20.0%	$237.5m
Aerospace total	**$4,552.0m**	**$5,325.4m**	**3.19%**	**22.74%**	**$1,211.1m**

The bear total is the sum of the three product lines. Product profit sums to $1,211.1 million; dividing by $5,325.4 million gives 22.74%. Revenue is still above the TTM anchor because current backlog converts before weak replenishment dominates. The scenario does not require a commercial aviation collapse; it requires execution friction and normalization severe enough to erase margin expansion.

Base case rollup

Product	TTM anchor revenue	2031-06-30 revenue	5-year CAGR	2031 Segment operating profit (loss) margin	2031 Segment operating profit (loss)
OEM	$1,757.4m	$2,463.7m	6.99%	22.0%	$542.0m
Aftermarket	$1,664.1m	$2,512.0m	8.58%	31.5%	$791.3m
Industrial and Other	$1,130.5m	$1,414.4m	4.58%	24.0%	$339.5m
Aerospace total	**$4,552.0m**	**$6,390.2m**	**7.02%**	**26.18%**	**$1,672.8m**

The base total ties exactly to the product forecast. Aftermarket becomes the largest line by a small margin, reflecting its faster growth and the long-lived installed base. Product profit sums to $1,672.8 million; divided by $6,390.2 million, the blended margin is 26.18%. Segment revenue CAGR is 7.02%, below the disclosed 11.6% FY2023-FY2025 CAGR and well below the latest 17% order-growth indicator. This gives explicit room for normalization.

Bull case rollup

Product	TTM anchor revenue	2031-06-30 revenue	5-year CAGR	2031 Segment operating profit (loss) margin	2031 Segment operating profit (loss)
OEM	$1,757.4m	$2,829.1m	9.99%	23.5%	$664.8m
Aftermarket	$1,664.1m	$2,878.8m	11.58%	33.5%	$964.4m
Industrial and Other	$1,130.5m	$1,584.9m	6.99%	25.5%	$404.1m
Aerospace total	**$4,552.0m**	**$7,292.8m**	**9.88%**	**27.88%**	**$2,033.4m**

The bull product lines sum to $7,292.8 million revenue and $2,033.4 million profit. The blended 27.88% margin is revenue-weighted and contains no corporate allocation. The segment CAGR remains below current order growth and near the historical OEM CAGR, while aftermarket remains below its FY2023-FY2025 pace. The scenario is demanding because it combines high revenue conversion and high margin, not because either single assumption is unprecedented.

Probability framework and mechanical checks

The probabilities are **25% bear, 55% base, and 20% bull**. Base receives the majority weight because orders, backlog, book-to-bill, recent revenue, and commercial/defense demand all support growth, but disclosed supply, release, mix, and integration risks argue against certainty. Bear receives more weight than bull because the TTM anchor already reflects strong demand and an acquired perimeter; disappointment can come from normalization without a recession. Bull receives 20% because sustained near-double-digit segment growth plus more than 300 basis points of margin expansion requires several positive mechanisms together.

Probability-weighted terminal revenue is $6,304.5 million. Probability-weighted terminal **Segment operating profit (loss)** is $1,629.5 million, equal to a 25.85% margin on probability-weighted revenue. These figures are diagnostics, not a fourth scenario and not a portfolio recommendation.

Mechanical model checks:

- The TTM product anchors sum to $4,552.0 million, matching the sealed segment anchor.
- Each scenario compounds exactly five annual periods from 2026-06-30 to 2031-06-30.
- Bear, base, and bull revenue totals equal product sums with no residual.
- Bear, base, and bull profit totals equal product revenue multiplied by product margin and summed.
- Blended margins equal total product profit divided by total product revenue.
- No corporate, unallocated, amortization, restructuring, interest, tax, or other statutory-bridge adjustment is embedded.
- Scenario probabilities are non-uniform and sum to 100%.

11. Key risks and wildcards

Commercial aircraft production execution - bear/base. Record airframer backlog does not guarantee near-term shipments. Engine availability, supplier shortages, quality controls, certification issues, labor, or airframer rate changes can delay Eaton content. A delay can hurt utilization and mix even if the order ultimately remains. The base case assumes gradual conversion; the bear case assumes repeated slippage and weak replenishment.

Aftermarket utilization and inventory - bear/base. Flight hours and cycles support repair and spares, but airlines and distributors can destock, use surplus material, defer nonessential work, or pressure price. Aftermarket is the model’s largest 2031 profit pool. If its margin advantage is lower than assumed, segment profit is disproportionately affected.

Defense budgets and program timing - all cases. Defense demand supports Ultra PCS and legacy mission systems, but funding can shift by program, country, and fiscal year. Continuing resolutions, contract protests, export approvals, schedule slips, and fixed-price execution can move revenue and margin. Geopolitical tension supports aggregate demand while increasing operational and compliance risk.

Ultra PCS integration - bull/bear. The acquisition expands electronic controls, sensing, stores-ejection, and data-processing capabilities. The bull case assumes cross-selling, platform wins, and accretive mix. The bear case captures retention, integration, cost, or program-execution problems. The data package gives no channel revenue or margin bridge, so the forecast does not claim a quantified synergy.

Customer and platform concentration - bear. Eaton’s consolidated customer disclosure does not reveal Aerospace concentration. A small number of major airframers and primes can represent significant supplier economics even if no customer exceeds 10% of group sales. **[DATA GAP: platform and Aerospace customer revenue concentration are not disclosed.]** A disruption on one high-content platform could matter more than the broad segment label suggests.

Price/cost and supply chain - bear/base. Specialty materials, electronics, castings, forgings, and qualified suppliers can be constrained. Cost recovery may lag inflation. Expedite expense, premium freight, quality remediation, or customer penalties can reduce incrementals. Supply normalization could also release working capital and support the bull case, but no segment

working-capital series is disclosed.

Technology substitution - bull/bear. More-electric aircraft create opportunities in electrical distribution, conversion, sensing, and electromechanical actuation while potentially reducing selected hydraulic or pneumatic content. Eaton's broad portfolio and Ultra PCS help it participate, but architecture shifts can favor Safran, Collins, Honeywell, Parker, Moog, or specialists. Winning on today's fleet is not the same as winning on next-generation platforms.

Certification and quality - bear. Safety-critical components face strict certification and traceability. A quality escape can cause recall, grounding support, warranty, penalties, and reputational damage. The very barriers that protect incumbency also make remediation expensive.

Industrial cycle - bear. Industrial and Other is one-quarter of the modeled TTM mix. Industrial filtration can weaken with manufacturing and capital spending. Because filtration is not split from "Other," the model may understate or overstate cyclicality. **[DATA GAP: Industrial filtration revenue, margin, consumables mix, and end-market split are not separately disclosed.]**

Backlog quality and releases - bear/base. Firm backlog provides visibility, but many orders are subject to customer releases. Book-to-bill above one can reflect schedule elongation as well as healthy demand. The model's declining growth schedules deliberately avoid treating the 28% backlog increase as five-year revenue growth.

Capital and capacity - bear/bull. FY2025 segment capex was only 2.4% of revenue, but production, test, repair, engineering, and support capacity may need further investment. Underinvestment can constrain conversion; well-executed investment can unlock volume. **[DATA GAP: no segment capacity, utilization, or five-year capex guide is disclosed.]**

Regulation, trade, and export controls - bear. Defense exports and aerospace products face country, end-use, cybersecurity, and procurement rules. Tariffs and sanctions can disrupt qualified materials or customers. Compliance failure can block sales or raise cost.

Aerospace cycle and external shock - bear. Aviation demand is exposed to recession, fuel prices, airline finances, geopolitical disruption, pandemics, and travel restrictions. Defense and industrial diversification soften but do not eliminate the risk. Aftermarket can be more resilient than OEM, yet severe utilization shocks affect both.

Segment conclusion

Aerospace is a high-quality Eaton segment with strong current demand, a valuable aftermarket, critical certified products, and a credible path to above-company-average durability. Its historical revenue growth, backlog, and book-to-bill support a base case above GDP, while the aftermarket and mission-system mix support measured margin expansion. The underwriting should not confuse current order acceleration with permanent double-digit growth, nor one high-margin quarter with a guaranteed terminal run rate. The base case therefore produces $6.390 billion of 2031 revenue and $1.673 billion of **Segment operating profit (loss)** at 26.18% margin. The bear case remains profitable and growing but loses margin; the bull case requires sustained execution and mix improvement.

Case	Segment TTM+5y Revenue at 2031-06-30	Exact profit metric	Segment TTM+5y Profit Margin	Segment TTM+5y Profit	Probability
Bear	$5,325.4m	Segment operating profit (loss)	22.74%	$1,211.1m	25%
Base	$6,390.2m	Segment operating profit (loss)	26.18%	$1,672.8m	55%
Bull	$7,292.8m	Segment operating profit (loss)	27.88%	$2,033.4m	20%

<!-- end of appendix -->

Eaton Corporation plc - Mobility Segment Deep Dive

Information cutoff: 2026-08-02 SGT **Forecast anchor:** TTM ended 2026-06-30 **Exact five-year horizon:** 2031-06-30 **Currency:** USD; financial tables are in USD billions unless stated otherwise **Exact profit basis throughout: Segment operating profit (loss) Research boundary:** `trade_execution_authorized=false`. This appendix carries no trade, broker, portfolio-mutation, message, ranking, or sizing authority.

The controlling data package identifies the QFR-sealed statutory-bridge SHA-256 as `93a3c2f30d336f1f1455c8b247ac73eeb012e1eb1840cb936ff7edcc7f0af923`; the exact file hash was independently recomputed before this forecast and matches. The quote-packet SHA-256 is `de87e41d84b51ab60c3074ba85b035cec205811cfe46370f8b760c4bd0cf01e5`, but no financial or quote data were re-fetched or used to alter the segment model. The data package states `STATUTORY_BRIDGE_STATUS: VERIFIED - CLEARED FOR FORECASTING` in §3a. No corporate, unallocated, amortization, restructuring, interest, tax, or other statutory-bridge adjustment is placed inside Mobility.

0. Segment boundary and taxonomy note

Mobility is a new reporting label from Q1 FY2026, formed by combining Eaton's legacy Vehicle and eMobility segments. Eaton recast the comparative segment history, and the data package supplies a comparable combined Vehicle-plus-eMobility series for FY2021-FY2025. The boundary is therefore explicit: combined historical dollars are comparable through the recast, while separate Vehicle and eMobility figures remain product-line context rather than separate current reportable segments. Hydraulics, divested in 2021, is outside the boundary. The finest current business-driver split remains commercial vehicles, passenger and light duty, and eMobility. This appendix never compares an old standalone segment total with a new combined segment total as if the taxonomy were unchanged [data_package §1, reporting-structure paragraph and current-segment table].

A second boundary is economic rather than accounting: Mobility remains in Eaton's continuing operations at the TTM anchor, but Eaton signed a definitive agreement to separate it and combine it with Dana through a Reverse Morris Trust expected to close in Q1 2027. The segment is therefore modeled here as **standalone, pre-transaction-synergy underlying Mobility economics** through 2031-06-30, while the base-case Eaton perimeter treatment is explicit: **zero Mobility revenue and zero Mobility Segment operating profit (loss) in Eaton's consolidated terminal operating totals after a successful separation**. Those underlying economics are an input to-not a direct per-share valuation of-the separated interest ultimately allocated to Eaton shareholders under the final transaction mechanics. They must not be added to post-close Eaton operating results or counted again as a separate shareholder distribution on top of the distributed security. If the Dana transaction fails, the data package says Eaton still intends a spin-off, so transaction failure is not equivalent to permanent retention.

1. What Mobility actually is

Mobility sells engineered powertrain, drivetrain, emissions-efficiency, vehicle-control, and electrical power-management content primarily to vehicle original-equipment manufacturers and, to a lesser extent, aftermarket channels. Legacy Vehicle products include transmissions and transmission components, clutches, hybrid power systems, superchargers, engine valves and valve-actuation systems, locking and limited-slip differentials, transmission controls, and fuel-vapor components. The customer set spans heavy-, medium-, and light-duty trucks, SUVs, crossover vehicles, passenger cars, construction equipment, and agricultural equipment. Legacy eMobility adds inverters, converters, circuit protection, controls, and vehicle power-distribution components for electrified on-road and off-road platforms [data_package §1 and §4; product descriptions are consistent with Eaton's official 2025 filing].

The commercial model is program-based industrial supply, not a subscription. Eaton wins a platform or product award, completes engineering and validation with the OEM, invests in tooling and production readiness, and then ships components against customer releases. Revenue depends on vehicle build rates, content per vehicle, platform share, launch timing, foreign exchange, and negotiated price or commodity recovery. A multi-year award can create design-in persistence, but it does not guarantee customer volume. Dana's own official 2025 filing describes the same sector convention: awarded multi-year programs generally lack committed volume, with individual releases or purchase orders forming the enforceable contract. That is an important distinction from backlog-heavy electrical equipment: Mobility's production visibility can be meaningful but is not disclosed by Eaton as a backlog, orders, or book-to-bill KPI.

Go-to-market is direct and engineering-led. The relevant buyer is an OEM powertrain, vehicle-platform, sourcing, or engineering organization rather than an end consumer. Qualification demands are high because failure can stop a vehicle,

create warranty or safety exposure, or impair fuel economy and emissions compliance. Once a component is validated, switching mid-program can be expensive and risky. Yet OEMs retain strong purchasing leverage because they concentrate volume, can dual-source on future platforms, and regularly demand annual productivity concessions. Pricing power therefore comes mainly from differentiated performance, reliability, system integration, scarce know-how, and cost pass-through-not from consumer brand pull.

The segment is economically two businesses under one roof. Vehicle is the mature cash and profit engine, exposed to truck and light-vehicle cycles but supported by deep mechanical engineering and aftermarket content. eMobility is the strategic growth option: its addressable content can rise as electrical architectures proliferate, but its recent revenue has declined and it was still loss-making in Q2 FY2025 commentary. Combining the two improves presentation and may facilitate shared manufacturing, controls, and customer coverage, but it does not erase the disparity in current profitability.

2. Current economics

TTM Mobility revenue is **$3.092 billion**, compared with $3.109 billion in FY2025. TTM Segment operating profit (loss) is **$0.409 billion**, for a **13.2% Segment operating profit (loss) margin** [data_package §1 current-segment table; §3a TTM bridge; §0a margin history]. The TTM result is almost flat in dollars against FY2025 despite continuing end-market pressure because H1 FY2026 replaced a weak comparative period without producing a full cyclical rebound. Q1 FY2026 revenue was $0.766 billion, down 2% reported and 6% organically, at an 11.7% Segment operating profit (loss) margin. Q2 revenue was $0.841 billion, flat reported and down 2% organically, at a 13.0% margin [data_package §5, Mobility rows].

FY2025's finest official revenue split was commercial vehicles **$1.448 billion**, passenger and light duty **$1.056 billion**, and eMobility **$0.604 billion**. These sum to $3.108 billion versus the disclosed segment total of $3.109 billion because of source rounding [data_package §4, Mobility rows; §3, Mobility revenue row]. Commercial vehicles were approximately 46.6% of the rounded product sum, passenger and light duty 34.0%, and eMobility 19.4%. Thus roughly four-fifths of current revenue still derives from legacy Vehicle channels, making near-term earnings more sensitive to truck and light-vehicle production than to the global EV adoption headline.

The data package does not disclose TTM dollars for those three product lines. For modeling only, this appendix allocates the exact $3.092 billion TTM segment base using FY2025's official mix: **$1.440 billion commercial vehicles, $1.051 billion passenger and light duty, and $0.601 billion eMobility**. This is a labeled allocation proxy, not a new historical disclosure. Rounded components sum exactly to the sealed TTM segment revenue. No product-level historical dollar is inferred from an FMP value; the data package specifically rejects FMP's defective Q1 FY2026 Mobility value and FY2025 eMobility mismatch.

The sealed bridge supplies profit only at the segment level, so product-level TTM margins are also analytical allocations rather than issuer disclosures. A starting allocation of 17.5% for commercial vehicles, 16.1% for passenger and light duty, and negative 2.0% for eMobility produces approximately $0.409 billion of Segment operating profit (loss), reconciling to the sealed TTM total after rounding. The allocation is grounded in management's Q2 FY2025 statement that legacy Vehicle delivered a 17% margin despite weak revenue while eMobility recorded a $10 million operating loss [data_package §6, Mobility quotes]. It is used only to construct bottom-up cases; it does not change the disclosed segment margin.

Capital intensity is moderate for an industrial supplier but meaningful relative to current profit. Mobility capital expenditure was $103 million in FY2025, or approximately 3.3% of FY2025 revenue, after $158 million in FY2024 and $172 million in FY2023. H1 FY2026 capital expenditure was $40 million [data_package §0a segment-capex table]. The decline can reflect completed program investment, demand caution, or preparation for separation; the package does not disclose enough to allocate capex by product or distinguish maintenance from growth. Segment identifiable assets and working-capital details are not provided in this appendix's source schedule, so a clean Mobility ROIC cannot be calculated without inventing allocations.

3. Unit economics

Revenue begins with vehicle production and Eaton content. For a given awarded platform, unit revenue roughly equals OEM production releases multiplied by Eaton content per vehicle, adjusted for price, commodity pass-through, engineering recoveries, mix, and currency. Commercial-vehicle content can be higher and more engineered than passenger-car content, but production is more cyclical. Passenger and light-duty production is broader but subject to intense OEM sourcing pressure. eMobility can increase content through high-voltage conversion, protection, distribution, and controls, yet fast architecture changes and program cancellations create launch and impairment risk.

The gross-profit structure is driven by purchased metals and electronics, direct labor, plant utilization, freight, quality and warranty, launch expense, and customer pricing. Steel, aluminum, copper, semiconductors, and electronic subassemblies

matter in different proportions across the portfolio. Cost-recovery clauses and negotiations can mitigate commodity inflation, but typically with a lag and not always dollar-for-dollar. Low volume is particularly damaging because depreciation, engineering, plant overhead, quality systems, and program-management costs do not fall as quickly as shipments. That is why a modest revenue contraction can create disproportionate margin pressure even when the product award remains intact.

Legacy Vehicle's economic advantage is accumulated application knowledge. Transmission, clutch, differential, valve-actuation, and control products must operate reliably over demanding duty cycles, and validated production processes can be difficult to replace mid-program. The mature installed base also supports service parts and aftermarket revenue. The Dana transaction presentation indicates that Mobility is expected to contribute about $0.8 billion of aftermarket revenue to a combined platform with roughly $1.7 billion of aftermarket sales. Aftermarket tends to be less production-cycle-sensitive and carries better pricing than initial OEM production, although the exact Eaton Mobility Segment operating profit (loss) contribution is not separately disclosed. This appendix does not import Dana's adjusted-EBITDA synergy claims into Eaton's sealed profit metric.

eMobility's unit economics are less mature. Engineering and validation costs often precede program revenue by years; power-electronics production requires specialized manufacturing and quality control; and lower-than-awarded volumes can strand development and tooling. Recent evidence is cautionary: official data show eMobility revenue fell from $662 million in FY2024 to $604 million in FY2025, and management reported an operating loss in Q2 FY2025. The industry opportunity remains real, but opportunity does not equal profitable conversion. [BorgWarner's official 2025 filing](https://www.sec.gov/Archives/edgar/data/908255/000090825526000011/bwa-20251231.htm) provides a useful comparator: its eProducts revenue rose from $2.0 billion in 2023 to $2.6 billion in 2025, about a 14% two-year CAGR, while the company simultaneously emphasized regional EV-adoption volatility and exited a loss-making charging business. A supplier can grow electrified content and still need aggressive portfolio discipline.

Reinvestment has four layers: maintenance capex; program tooling; engineering and R&D; and working capital for production ramps. The data package provides Mobility capex but not product R&D or working capital. [DATA GAP: Mobility-specific R&D, maintenance-versus-growth capex, working capital, physical units, utilization, ASP, inventory days, and capacity are not disclosed.] The base margin case therefore uses modest normalization rather than assuming a high incremental margin from an invisible utilization or cost program.

Margins rise when truck and light-vehicle production recovers, higher-content programs ramp, aftermarket mix increases, commodity recovery catches up, plants absorb fixed cost, and eMobility crosses break-even. Margins fall when North American Class 8 or light-vehicle builds weaken, launches slip, OEMs cancel or resize programs, material and tariff costs outrun recovery, warranty rises, or electrification engineering is spread over insufficient volume. Separation adds another risk: costs that were shared with Eaton must be replicated or covered through transition services. Because those stranded or stand-up costs are not disclosed, they are not inserted into Segment operating profit (loss) here; they belong in transaction and consolidated-perimeter analysis.

4. Competitive dynamics

Mobility competes in fragmented but formidable ecosystems. In commercial-vehicle transmissions and driveline, competitors include Allison Transmission, ZF, Cummins' drivetrain and automated-transmission activities following Meritor, Dana, and vertically integrated OEM systems. [Allison's official 2025 filing](https://www.sec.gov/Archives/edgar/data/1411207/000119312526065627/alsn-20251231.htm) calls itself the largest North American manufacturer of fully automatic transmissions for medium- and heavy-duty on-highway vehicles and reports that OEM customers representing more than 90% of its North American on-highway unit volume participated in three-to-five-year long-term agreements. That demonstrates both the stickiness and the concentrated-customer bargaining structure Eaton faces. Allison also identifies manual transmissions, automated manual transmissions, hybrid/electric propulsion, Ford, ZF, Driventic, and vertically integrated OEMs as alternatives.

In passenger and light-duty drivetrain, the competitive set broadens to BorgWarner, Dana, Bosch, ZF, Magna, Schaeffler, American Axle, Denso, and OEM-insourced systems. [BorgWarner's 2025 revenue mix](https://www.sec.gov/Archives/edgar/data/908255/000090825526000011/bwa-20251231.htm)-$11.7 billion foundational products and $2.6 billion eProducts-illustrates the scale of a direct diversified peer and the sector's hybrid transition. [Dana's official filing](https://www.sec.gov/Archives/edgar/data/26780/000143774926006076/dan20251231_10k.htm) describes a portfolio of axles, driveshafts, transmissions, motors, inverters, controls, battery management, sealing, and thermal systems supplied to nearly every major on-highway OEM. The planned Eaton Mobility/Dana combination is therefore strategically complementary but also creates execution risk because product portfolios, factories, engineering teams, and customer

relationships overlap.

eMobility competition is more fluid. Traditional Tier 1 suppliers compete with specialized power-electronics firms, semiconductor suppliers moving up the stack, and OEM internal development. Chinese vehicle and component ecosystems have become especially relevant. The [IEA's 2026 Global EV Outlook](https://www.iea.org/reports/global-ev-outlook-2026/executive-summary) reports that global electric-car sales exceeded 20 million in 2025, but Chinese automakers supplied 60% of those sales, while North American and European automakers supplied about 15% each. It also reports that Chinese producers captured almost 30% of China's electric-truck market through new entrants and that CATL supplied 80% of electric-truck batteries there. These facts support growth in high-voltage content but also warn that Eaton's incumbent Western OEM relationships do not automatically translate into share in the fastest-growing geographies.

Market-share disclosure is weak. Eaton calls the legacy Vehicle business a leader, and management refers to a strong leadership position, but the data package does not provide a verified percentage for transmissions, clutches, valves, differentials, inverters, or power distribution. [DATA GAP: no current Mobility market-share percentage by product, region, or vehicle class is disclosed in the data package or a directly comparable official industry table.] The defensible statement is narrower: Eaton has credible positions in selected engineered niches and long-standing OEM relationships, while peers lead other categories. The segment does not possess a single franchise-wide share statistic.

Pricing power is moderate, not dominant. Eaton can defend value where a component is safety-critical, validated, software-controlled, or performance-differentiated. It can sometimes recover commodities and monetize additional content. However, OEM concentration, annual productivity demands, platform rebids, and alternative suppliers cap that power. No single Eaton customer represented more than 10% of consolidated net sales in 2025, which limits single-name concentration at the group level, but the data package does not provide Mobility's customer concentration. Program concentration can still be material even without a greater-than-10% consolidated customer.

Entry barriers are engineering validation, application know-how, manufacturing quality, global footprint, warranty credibility, OEM relationships, software-control integration, and scale purchasing. Those barriers protect awarded programs better than they protect the next generation of programs. Substitution risk is highest where a mechanical function disappears or is integrated into an OEM's electric architecture. Conversely, hybrids can extend demand for transmissions, clutches, and sophisticated controls while adding electrical content, making the transition less binary than "ICE down, EV up."

5. Moat at the segment level

Mobility has a real but narrower moat than Eaton's electrical franchises. The strongest element is switching cost during a vehicle program. Revalidating a transmission, differential, valve train, inverter, or protection architecture can require engineering resources, testing, tooling changes, regulatory work, and warranty re-risking. That supports revenue persistence once the platform is launched. The moat is reinforced by accumulated performance data, manufacturing-process knowledge, application engineering, and a global ability to support OEM plants.

The second element is reputation for durability in demanding commercial-vehicle applications. Fleet uptime, fuel economy, safety, and total cost of ownership can matter more than the initial component price. Products that measurably improve those outcomes can preserve share and aftermarket pull-through. The proposed Dana combination could deepen this advantage by broadening drivetrain coverage and aftermarket distribution. Dana's transaction materials estimate approximately $250 million of annual run-rate cost synergies within 24 months, sourced from structural cost, purchasing, manufacturing, and engineering. Those synergies are plausible strategic benefits, but they are combined-company adjusted-EBITDA claims, not a basis for raising this standalone Segment operating profit (loss) forecast.

The moat is weaker in three places. First, OEM purchasing power is structural. Awards are regularly rebid, and future platforms are not locked in simply because a supplier serves the current one. Second, technology transitions reset competitive positions: an incumbent mechanical franchise can lose relevance if a new electric architecture removes content, while electronics and software competitors can enter. Third, eMobility has not yet demonstrated durable profitability in the disclosed history. A growth market without positive unit economics is not a moat.

Over five to ten years, the segment should retain defensibility in commercial-vehicle transmissions, torque management, differentiated driveline components, protection, and vehicle power distribution. Durability is more questionable in commoditizing electronics or functions that OEMs can internalize. The segment-level moat verdict is therefore **moderate / niche-specific, not franchise-wide**. It supports a mid-teens through-cycle Segment operating profit (loss) margin in a reasonable environment, but it does not justify assuming uninterrupted high-single-digit segment growth or electrical-segment

margins.

6. Historical growth rates - reproduced from the data package

The combined segment table uses only the recast comparable series in data_package §3. Each historical cell below identifies its exact row and period. The product table uses the finest official dollars in data_package §4. The product series has three observations covering two compounding intervals, so its CAGR is correctly labeled FY2023-FY2025 two-year CAGR rather than an inflated “three-year” compounding period.

Mobility segment	FY2021	FY2022	FY2023	FY2024	FY2025	FY2021-FY2025 CAGR	Latest disclosed YoY	Data package cite
Revenue	$2.922B [§3 Mobility Revenue row, FY2021]	$3.368B [§3 Mobility Revenue row, FY2022]	$3.601B [§3 Mobility Revenue row, FY2023]	$3.452B [§3 Mobility Revenue row, FY2024]	$3.109B [§3 Mobility Revenue row, FY2025]	1.6% [§3 Mobility Revenue row, FY2021/FY2025]	(9.9%) [§3 Mobility YoY row, FY2025]	data_package §3, Mobility recast table
Segment operating profit (loss)	$0.420B [§3 Mobility Profit row, FY2021]	$0.444B [§3 Mobility Profit row, FY2022]	$0.461B [§3 Mobility Profit row, FY2023]	$0.495B [§3 Mobility Profit row, FY2024]	$0.405B [§3 Mobility Profit row, FY2025]	(0.9%) [§3 Mobility Profit row, FY2021/FY2025]	(18.2%) [§3 Mobility Profit row, FY2024/FY2025]	data_package §3, Mobility recast table
Segment operating profit (loss) margin	14.4% [§3 Mobility Margin row, FY2021]	13.2% [§3 Mobility Margin row, FY2022]	12.8% [§3 Mobility Margin row, FY2023]	14.3% [§3 Mobility Margin row, FY2024]	13.0% [§3 Mobility Margin row, FY2025]	n/m [margin is not compounded]	(130 bps) [§3 Mobility Margin row, FY2024/FY2025]	data_package §3, Mobility recast table

Arithmetic checks: $2.922B × 1.153 = $3.369B versus $3.368B disclosed; $3.368B × 1.069 = $3.600B versus $3.601B; $3.601B × 0.959 = $3.453B versus $3.452B; and $3.452B × 0.901 = $3.110B versus $3.109B. Every revenue row ties within 0.1%, well inside the required 2% tolerance. The FY2021-FY2025 revenue CAGR is $(3.109 / 2.922)^(1/4) - 1 = 1.6%$.

Product / sub-segment	FY2023 revenue	FY2024 revenue	FY2025 revenue	Historical CAGR FY2023-FY2025	Most recent YoY	Data package cite
Commercial vehicles	$1.784B [§4 Mobility Commercial row, FY2023]	$1.707B [§4 Mobility Commercial row, FY2024]	$1.448B [§4 Mobility Commercial row, FY2025]	(9.9%) [§4 Mobility Commercial row, FY2023/FY2025]	(15.2%) [§4 Mobility Commercial row, FY2024/FY2025]	data_package §4, product table, Mobility commercial-vehicles row
Passenger and light duty	$1.180B [§4 Mobility Passenger row, FY2023]	$1.083B [§4 Mobility Passenger row, FY2024]	$1.056B [§4 Mobility Passenger row, FY2025]	(5.4%) [§4 Mobility Passenger row, FY2023/FY2025]	(2.5%) [§4 Mobility Passenger row, FY2024/FY2025]	data_package §4, product table, Mobility passenger/light-duty row
eMobility	$0.636B [§4 Mobility eMobility row, FY2023]	$0.662B [§4 Mobility eMobility row, FY2024]	$0.604B [§4 Mobility eMobility row, FY2025]	(2.5%) [§4 Mobility eMobility row, FY2023/FY2025]	(8.8%) [§4 Mobility eMobility row, FY2024/FY2025]	data_package §4, product table, Mobility eMobility row

Product arithmetic checks: commercial vehicles $1.784B × 0.957 = $1.707B and $1.707B × 0.848 = $1.448B; passenger/light duty $1.180B × 0.918 = $1.083B and $1.083B × 0.975 = $1.056B; eMobility $0.636B × 1.041 = $0.662B and $0.662B × 0.912 = $0.604B. All ties are within 0.1%. No product dollar was back-solved. The most recent quarterly trend remained weak: Q1 FY2026 Mobility organic revenue fell 6%, and Q2 organic revenue fell 2% [data_package §5, Mobility Q1/Q2 rows].

7. Management guidance - quoted from data package §6

- **Q2 FY2026 filed release, transaction anchor.** Data-package row: §6 Mobility, row 1. The package states that the RMT is expected to close in Q1 2027 and be accretive to Eaton’s organic-growth and margin profile upon closing. Interpretation: management expects Mobility to leave Eaton’s operating perimeter; “accretive” describes the remaining Eaton mix and does not mean Mobility’s own revenue or Segment operating profit (loss) accelerates.

- **Q1 FY2026 release, 2026-05-05, Paulo Ruiz.** Data-package row: §6 Mobility, row 2. “Mobility delivered solid operational performance in a challenging market, and we remain on track toward its Q1 2027 planned spin-off into an independent, publicly traded company.” Interpretation: operational execution was acceptable despite weak demand, but the statement predates the Dana agreement. The timing survived while the legal structure changed from a simple spin toward an RMT.

- **Q4 FY2025 call, 2026-02-03, Paulo Ruiz.** Data-package row: §6 Mobility, row 3. “For mobility, this move will allow the team to build on its strong leadership position in automotive and commercial vehicle markets.” Interpretation: management frames separation as strategic focus rather than distress. The claim supports niche strength but contains no numeric growth or margin commitment.

- **Q3 FY2025 call, 2025-11-04, Olivier Leonetti.** Data-package row: §6 Mobility, row 4. “In the quarter, the business declined by 9% on an organic basis, primarily driven by weaknesses in the North America truck and light vehicle markets.” Interpretation: the principal near-term driver is still cyclical vehicle production. A base case that immediately assumes market-like EV growth for the whole segment would contradict this evidence.

- **Q2 FY2025 call, 2025-08-05, Olivier Leonetti, Vehicle profitability.** Data-package row: §6 Mobility, row 5. “Despite top line weaknesses, the team managed to deliver solid margins of 17%.” Interpretation: legacy Vehicle can protect mid-to-high-teens profitability at reduced volume, supporting a base recovery near that range, but not proving a 17% combined Mobility margin while eMobility loses money.

- **Q2 FY2025 call, 2025-08-05, Olivier Leonetti, eMobility.** Data-package row: §6 Mobility, row 6. “Revenue decreased 4% from 7% lower organic, partially offset by 3% favorable FX. Operating loss was $10 million.” Interpretation: eMobility was below break-even and shrinking. The base model therefore stages margin recovery rather than assuming mature peer economics from the anchor.

[DATA GAP: Eaton provides no numeric FY2026 Mobility organic-growth guide, revenue guide, product-growth guide, Segment operating profit (loss) margin guide, backlog, orders, or book-to-bill series. Q2 current-quarter commentary is limited to the filed release because the live transcript endpoint returned empty twice.]

8. Forward growth assumptions - bottom-up to 2031-06-30

The exact TTM allocation proxy is $1.440 billion commercial vehicles, $1.051 billion passenger and light duty, and $0.601 billion eMobility. Each case compounds from 2026-06-30 for exactly five calendar years. No FY2025-plus-six-year shortcut is used. “Management guide” is marked as a data gap because no numeric product guide exists.

Base-case revenue assumptions

Product	Historical CAGR FY2023-FY2025	Latest YoY evidence	Management FY+1 guide	Base CAGR TTM to 2031-06-30	Concise justification
Commercial vehicles	(9.9%)	FY2025 (15.2%); Q3 2025 segment weakness tied to NA truck	[DATA GAP: no numeric guide]	1.0%	Initial truck weakness gives way to a modest cyclical recovery; no structural share gain assumed.
Passenger and light duty	(5.4%)	FY2025 (2.5%); Q1/Q2 2026 Mobility organic still negative	[DATA GAP: no numeric guide]	0.0%	Mature production and content gains offset long-run ICE attrition and OEM pricing pressure.
eMobility	(2.5%)	FY2025 (8.8%); Q2 2025 organic (7%) and loss-making	[DATA GAP: no numeric guide]	6.9%	A delayed program recovery captures only part of the global EV-content opportunity and remains far below recent market growth.

Commercial vehicles decline 2% in year one, are flat in year two, and then grow 1%, 3%, and 3%. This path respects current North American truck weakness while allowing a normal replacement-cycle recovery. Passenger/light duty declines 2% and 1%, is flat, then grows 1% and 2%; the five-year result is essentially flat. eMobility grows only 1% and 4% in the first two years, then 7%, 10%, and 13% as programs and electrified content recover. The resulting 6.9% CAGR is conservative relative to BorgWarner’s approximately 14% eProducts CAGR from 2023 to 2025 and the IEA’s strong global EV growth, because Eaton’s own eMobility revenue declined and profitability was unresolved.

Bear-case revenue assumptions

Product	Historical CAGR FY2023-FY2025	Latest YoY evidence	Management FY+1 guide	Bear CAGR TTM to 2031-06-30	Concise justification
Commercial vehicles	(9.9%)	FY2025 (15.2%)	[DATA GAP: no numeric guide]	(2.1%)	A prolonged truck downturn and weak OEM releases overwhelm a late shallow recovery.
Passenger and light duty	(5.4%)	FY2025 (2.5%)	[DATA GAP: no numeric guide]	(2.8%)	ICE content erosion, weak builds, and future-platform losses continue.
eMobility	(2.5%)	FY2025 (8.8%); loss-making in Q2 2025	[DATA GAP: no numeric guide]	(0.2%)	Program delays and Chinese/local competition offset electrification growth.

The bear annual sequence is commercial vehicles (7%), (4%), (1%), 0%, and +2%; passenger/light duty (6%), (4%), (2%), (1%), and (1%); and eMobility (8%), (4%), 0%, +4%, and +8%. This is not a permanent-collapse case: it assumes the business survives and eventually stabilizes. It is severe because the segment has no disclosed backlog control, product releases can fall short of awarded volumes, and electrification growth can accrue to competitors even when the market expands.

Bull-case revenue assumptions

Product	Historical CAGR FY2023-FY2025	Latest YoY evidence	Management FY+1 guide	Bull CAGR TTM to 2031-06-30	Concise justification
Commercial vehicles	(9.9%)	FY2025 (15.2%)	[DATA GAP: no numeric guide]	3.0%	A timely truck recovery, Mobility program wins, and higher content per vehicle lift mature revenue modestly; no Dana cross-selling is included.
Passenger and light duty	(5.4%)	FY2025 (2.5%)	[DATA GAP: no numeric guide]	2.0%	Hybrid content and platform wins more than offset mature ICE pressure.
eMobility	(2.5%)	FY2025 (8.8%); Q2 2025 loss	[DATA GAP: no numeric guide]	13.9%	Program conversion approaches a proven peer trajectory but stays below global unit-growth bursts.

The bull annual sequence is commercial vehicles 0%, 2%, 4%, 4%, and 5%; passenger/light duty (1%), 1%, 3%, 3%, and 4%; and eMobility 6%, 10%, 14%, 18%, and 22%. The eMobility trajectory deliberately ramps rather than applying 20% immediately. It converges on, but does not exceed without evidence, BorgWarner's approximately 14% recent eProducts CAGR. The IEA's 2026 outlook supports the addressable-market upside-global electric-car sales exceeded 20 million in 2025 and electric trucks more than doubled-but Chinese localization and intense pricing prevent a more aggressive share assumption.

Year-by-year revenue build

Case and product	2027-06-30	2028-06-30	2029-06-30	2030-06-30	2031-06-30
Bear commercial vehicles	$1.339B	$1.286B	$1.273B	$1.273B	$1.298B
Bear passenger and light duty	$0.988B	$0.948B	$0.929B	$0.920B	$0.911B
Bear eMobility	$0.553B	$0.531B	$0.531B	$0.552B	$0.596B
Base commercial vehicles	$1.411B	$1.411B	$1.425B	$1.468B	$1.512B
Base passenger and light duty	$1.030B	$1.020B	$1.020B	$1.030B	$1.050B
Base eMobility	$0.607B	$0.631B	$0.675B	$0.743B	$0.840B
Bull commercial vehicles	$1.440B	$1.469B	$1.528B	$1.589B	$1.668B
Bull passenger and light duty	$1.040B	$1.051B	$1.082B	$1.115B	$1.159B
Bull eMobility	$0.637B	$0.701B	$0.799B	$0.943B	$1.150B

9. Forward Segment operating profit (loss) margin assumptions

The sealed TTM margin is 13.2% on **Segment operating profit (loss)**. Product margins are analytical allocations that reconcile to the segment, not new issuer disclosures. Corporate and statutory adjustments remain outside the segment.

Case	Product	TTM allocation margin	2031-06-30 Segment operating profit (loss) margin	Change	Mechanism
Bear	Commercial vehicles	17.5%	13.0%	(450 bps)	Sustained under-absorption, tariff/material lag, and OEM price pressure.
Bear	Passenger and light duty	16.1%	10.0%	(610 bps)	Platform loss, low utilization, and shrinking mature content.
Bear	eMobility	(2.0%)	(5.0%)	(300 bps)	Cancellations and engineering/tooling spread over insufficient volume.

Case	Product	TTM allocation margin	2031-06-30 Segment operating profit (loss) margin	Change	Mechanism
Base	Commercial vehicles	17.5%	17.0%	(50 bps)	Through-cycle normalization without heroic synergy attribution.
Base	Passenger and light duty	16.1%	15.0%	(110 bps)	Mix and sourcing pressure offset modest productivity.
Base	eMobility	(2.0%)	7.0%	+900 bps	Volume absorption, product pruning, and lower launch burden create break-even and then profit.
Bull	Commercial vehicles	17.5%	19.0%	+150 bps	Strong mix, aftermarket, plant absorption, and purchasing gains.
Bull	Passenger and light duty	16.1%	18.0%	+190 bps	Hybrid content and platform wins improve price/mix and utilization.
Bull	eMobility	(2.0%)	12.0%	+1,400 bps	Scale, design reuse, and successful high-voltage program conversion.

The base blended margin reaches 13.9%, only 70 basis points above the sealed 13.2% TTM margin despite a substantial eMobility improvement. That restraint is deliberate: eMobility's higher profit is partly offset by mature Vehicle mix, OEM price pressure, and the absence of a numeric company margin guide. Undisclosed separation stand-up costs are not inserted into product margins. The base does not credit Dana's $250 million combined-company adjusted-EBITDA synergy target because it includes Dana operations, corporate duplication, purchasing, and integration actions that do not map cleanly to Eaton's Segment operating profit (loss).

The bear blended margin falls to 8.2%, a 500-basis-point contraction. The specific mechanisms are fixed-cost under-absorption, program cancellations, price pressure, tariff and commodity recovery lags, and persistent eMobility losses. The bull blended margin rises to 16.7%, a 350-basis-point expansion. It requires favorable Vehicle cycle and mix, positive Mobility aftermarket effects, eMobility scale, and successful operational execution. It still remains far below Eaton's electrical margins and assumes no Dana transaction synergy, cross-selling, or combined-company cost saving.

10. Segment rollup - bottom-up arithmetic

Case	Product	TTM revenue base	CAGR to 2031-06-30	2031-06-30 revenue	Segment operating profit (loss) margin	Segment operating profit (loss)
Bear	Commercial vehicles	$1.440B	(2.1%)	$1.298B	13.0%	$0.169B
Bear	Passenger and light duty	$1.051B	(2.8%)	$0.911B	10.0%	$0.091B
Bear	eMobility	$0.601B	(0.2%)	$0.596B	(5.0%)	$(0.030)B
Bear	**Mobility total**	**$3.092B**	**(1.9%)**	**$2.805B**	**8.2%**	**$0.230B**
Base	Commercial vehicles	$1.440B	1.0%	$1.512B	17.0%	$0.257B
Base	Passenger and light duty	$1.051B	0.0%	$1.050B	15.0%	$0.158B
Base	eMobility	$0.601B	6.9%	$0.840B	7.0%	$0.059B
Base	**Mobility total**	**$3.092B**	**1.9%**	**$3.402B**	**13.9%**	**$0.473B**
Bull	Commercial vehicles	$1.440B	3.0%	$1.668B	19.0%	$0.317B
Bull	Passenger and light duty	$1.051B	2.0%	$1.159B	18.0%	$0.209B
Bull	eMobility	$0.601B	13.9%	$1.150B	12.0%	$0.138B
Bull	**Mobility total**	**$3.092B**	**5.2%**	**$3.978B**	**16.7%**	**$0.664B**

All revenue totals are the sum of the displayed product rows. All profit totals are product revenue multiplied by the displayed product Segment operating profit (loss) margin before rounding. The blended margin is total Segment operating profit (loss) divided by total revenue; differences of $1 million arise only from displayed rounding. The rollup therefore reconciles within substantially less than 1%. Every case represents underlying Mobility on a standalone, pre-transaction-synergy basis: none includes Dana revenue, Dana profit, Dana cross-selling, the $250 million combined-company synergy target, or Eaton's expected $1.1 billion cash receipt.

Scenario probabilities are **25% bear, 55% base, and 20% bull**. They are intentionally non-uniform and apply only to underlying Mobility operating economics, not to RMT completion or shareholder-distribution mechanics. Base receives the

majority because a mature Vehicle business and measured eMobility recovery are the most plausible operating path. Bear exceeds bull because the starting evidence is negative-two years of product contraction, no disclosed backlog, and loss-making eMobility. Bull remains material because truck cycles recover and external electrification demand can support high content growth. Transaction completion, final allocation method, and combined-company synergy realization belong in a separate shareholder-value decision tree and must not change these operating weights or be added to their profit values. Probability-weighted 2031 business economics are $3.368 billion revenue and $0.450 billion Segment operating profit (loss), a 13.4% margin computed from weighted dollars rather than averaging scenario margins.

Dana RMT and Eaton perimeter handoff

Dana's official transaction announcement says Eaton shareholders will own at least 50.1% of the combined company, Eaton will receive an approximately $1.1 billion pre-close cash distribution subject to adjustments, the combined business will have about $11 billion of 2026 pro forma sales, and closing is expected in Q1 2027 subject to shareholder, regulatory, and customary conditions. It values Eaton Mobility at $5.1 billion cash-free/debt-free, or about 5.9 times fully synergized estimated 2026 pro forma adjusted EBITDA, and targets $250 million of annual run-rate synergies within 24 months. These are transaction measures, not substitutes for this appendix's sealed Segment operating profit (loss) basis ([Dana official announcement](https://www.dana.com/newsroom/press-releases/dana-incorporated-announces-agreement-to-combine-with-eatons-mobility-business-strengthens-danas-position-as-a-leading-global-powertrain-systems-provider/); [Dana SEC-filed transaction presentation](https://www.sec.gov/Archives/edgar/data/26780/000119312526266654/d114836dex992.htm)).

Base-case treatment: the RMT closes in Q1 2027. Mobility leaves Eaton's operating perimeter, so the synthesis must not add the $3.402 billion of modeled 2031 Mobility revenue or $0.473 billion of modeled Segment operating profit (loss) to continuing Eaton. The shareholder bridge may recognize the distributed security value only once and only under the final exchange-offer or pro-rata allocation mechanics. The approximately $1.1 billion pre-close cash distribution is payable to Eaton, not stated as a direct cash dividend to Eaton shareholders; it belongs in continuing Eaton's cash/debt/use-of-proceeds bridge rather than being added automatically to per-share distributions. Until final share, debt, tax, and stranded-cost terms are filed, those items remain explicitly unquantified. This appendix does not guess them.

Bull treatment: underlying Mobility program, cycle, and margin execution follow the bull case. The $0.664 billion profit is still not continuing Eaton Segment operating profit (loss), and it contains no Dana integration or synergy benefit. If the RMT closes, any combined-company synergy value may accrue through the distributed security, but it must be modeled separately from these standalone economics and counted only once under the final allocation mechanics.

Bear treatment: underlying Mobility demand, platform, and margin execution follow the bear case. In a separate transaction overlay, closing may be delayed or the combined company may underperform; if the RMT ultimately fails, Eaton follows its disclosed fallback intention to spin Mobility. Lost synergy or integration value should reduce the separately modeled distributed-security value, not the standalone $0.230 billion Mobility profit. Only an explicitly sourced abandonment of both the RMT and spin plan would justify keeping Mobility in Eaton's 2031 operating totals. [DATA GAP: final exchange-versus-pro-rata structure, exact distributed share count, final debt allocation, tax leakage, stranded Eaton corporate costs, and pro forma ownership/share mechanics are not yet fully disclosed in the data package.]

11. Key risks and wildcards

- **North American truck cycle - bear.** A prolonged Class 8 and medium-duty downturn reduces releases and plant absorption. Management already identified North American truck weakness as a cause of organic decline.
- **Passenger/light-duty platform attrition - bear.** Mature ICE content can decline faster than hybrid or electrical content grows, especially when OEMs redesign architectures or internalize components.
- **eMobility program conversion - all cases.** The market can grow while Eaton revenue stagnates if programs are delayed, cancelled, repriced, or won by lower-cost competitors. Recent negative growth and loss-making economics make this the most fragile assumption.
- **China localization - bear.** The IEA reports Chinese brands and suppliers dominate the fastest-growing EV markets. A Western OEM franchise may not carry equivalent share into China or emerging export markets.
- **RMT closing and structure - bear/base.** Dana shareholder approval, regulatory review, financing, and customary conditions can delay closing. Exchange-offer versus pro-rata distribution affects holder outcomes, while debt and tax details affect value transfer.

- **Integration and synergy - bull/bear.** Purchasing, manufacturing, engineering, and overhead savings could raise combined-company value, but execution costs, customer overlap, labor actions, and systems integration can delay benefits. No Dana synergy is embedded in any underlying Mobility Segment operating profit (loss) case; the effect belongs only in the separate distributed-security valuation.
- **Stranded and stand-up costs - bear.** Mobility may need duplicate public-company, IT, treasury, tax, and compliance capabilities, while Eaton may retain costs. Exact amounts are undisclosed and therefore excluded rather than hidden inside product margins.
- **Commodity, tariff, and freight recovery - bear.** Steel, aluminum, copper, electronics, labor, energy, and logistics costs can rise faster than OEM recoveries, compressing margins.
- **Warranty and quality - bear.** A drivetrain or high-voltage defect can cause recalls, OEM disruption, and reputational harm. High engineering barriers create value only when execution remains reliable.
- **Aftermarket scaling - bull.** The combination's broader parts catalog and distribution could improve mix, cross-selling, and cyclicality. Dana identifies aftermarket as a high-margin platform, but Eaton's exact Mobility profit contribution is not disclosed.
- **Hybrid transition - base/bull.** A slower battery-electric transition can preserve transmissions and hybrid systems while still increasing electrical content, producing a more balanced outcome than a binary EV thesis.
- **Capital discipline - base/bear.** Mobility capex declined materially in FY2025. That can support cash flow, but underinvestment could weaken future program competitiveness; the maintenance-versus-growth split is unavailable.

Summary

Case	Segment TTM+5y Revenue	Exact profit metric	Segment TTM+5y Profit Margin	Segment TTM+5y Profit	Probability
Bear	$2.805B	Segment operating profit (loss)	8.2%	$0.230B	25%
Base	$3.402B	Segment operating profit (loss)	13.9%	$0.473B	55%
Bull	$3.978B	Segment operating profit (loss)	16.7%	$0.664B	20%

The core conclusion is restrained: Mobility can remain a profitable, defensible engineered-components franchise, but its evidence does not support an electrical-like compounder profile. Base-case growth is only 1.9% from the exact TTM anchor, with eMobility recovery offset by mature Vehicle exposure. The expected separation is more consequential to Eaton than the difference between a 13% and 14% Mobility margin. For consolidated Eaton modeling, the essential discipline is to remove Mobility from post-close operating totals, treat the approximately $1.1 billion cash receipt as an Eaton balance-sheet item rather than an automatic shareholder dividend, recognize distributed-security value only once under final allocation mechanics, and keep Dana synergies out of the standalone segment cases.

Data gaps carried forward

- [DATA GAP: no Mobility backlog, orders, book-to-bill, physical units, utilization, ASP, capacity, inventory-days, or product-level customer concentration series.]
- [DATA GAP: no numeric FY2026 Mobility revenue, organic-growth, product-growth, or Segment operating profit (loss) margin guide.]
- [DATA GAP: no Mobility market-share percentage by product, region, or vehicle class.]
- [DATA GAP: no TTM commercial-vehicle, passenger/light-duty, or eMobility revenue split; the model uses a clearly labeled FY2025-mix allocation of sealed TTM revenue.]
- [DATA GAP: no disclosed product-level Segment operating profit (loss) margin; analytical allocations reconcile to the sealed segment total.]
- [DATA GAP: no Mobility-specific R&D, maintenance-versus-growth capex, working-capital, or identifiable-capital schedule sufficient for ROIC.]

- [DATA GAP: final RMT exchange/spin mechanics, distributed share count, debt allocation, tax leakage, stranded costs, and pro forma ownership details remain incomplete.]

Eaton Corporation plc - Synthesis (Combined Earnings Model)

This appendix consolidates the reviewed segment models into a statutory, continuing-Eaton earnings model. It preserves Eaton's exact issuer-disclosed segment profit basis, **Segment operating profit (loss)**, and then applies the separately sealed statutory bridge. The forecast is anchored to the TTM ended June 30, 2026 and compounds for exactly five calendar years to June 30, 2031.

A critical perimeter distinction governs every horizon figure. Eaton expects the Mobility Reverse Morris Trust with Dana to close in Q1 2027. The four segment appendices are reproduced, but Mobility's modeled 2031 operating revenue and profit are removed from continuing Eaton in every case. The distributed security may have material value, and Eaton expects an approximately $1.1 billion pre-close cash distribution, but final allocation, debt, tax, stranded-cost, and exchange-versus-pro-rata mechanics are not yet disclosed. This synthesis therefore does not guess a Mobility distribution value, does not add Mobility operating earnings to continuing Eaton, and does not add the $1.1 billion directly to shareholders. Those items belong once-and only once-in the later shareholder-return bridge. This makes the P/E 15 test a conservative continuing-Eaton earnings gate, not a total-sum-of-the-parts valuation.

1. Anchors

- Today: **2026-08-02**.
- Fiscal year end: **December 31**.
- TTM anchor: **2026-06-30**.
- TTM quarters: **Q3 FY2025, Q4 FY2025, Q1 FY2026, and Q2 FY2026**, reconstructed as FY2025 less H1 FY2025 plus H1 FY2026.
- Latest completed fiscal year for historical tie-out only: **FY2025 ended 2025-12-31**.
- Horizon date: **2031-06-30**, exactly 5.0 calendar years after the TTM anchor. No six-year fiscal shortcut is used.
- Valuation price: **USD 415.20 per XNYS:ETN ordinary share**, raw exchange close from the last completed session on 2026-07-31. Raw-source SHA-256: `633dfebecdcb12cdffe18bd9e5472cb873b07579776ed03f94157fe973aa5018`. QFR-sealed packet SHA-256: `de87e41d84b51ab60c3074ba85b035cec205811cfe46370f8b760c4bd0cf01e5`. Actionability expiry: **2026-08-04T04:00:00+08:00**.
- Security and currency basis: XNYS:ETN, ISIN IE00B8KQN827, Eaton ordinary shares with $0.01 par value; quote currency USD and financial reporting currency USD.
- Split bridge: 389.4 million financial-statement diluted shares at 2026-06-30 × split factor 1.0 = **389.4 million quote-basis diluted financial shares** at the 2026-07-31 quote. No intervening split was filed. The split evidence is the SEC submissions file with SHA-256 `3db69d3540cfdb4bd10469400d9e1a89e6e0e69fbc7243f213807acb77e57cb9`.
- Listed-unit bridge: depositary ratio 1.0 × share-class conversion factor 1.0 = **1.0 financial share per listed unit**; 389.4 million quote-basis financial shares ÷ 1.0 = **389.4 million listed-unit equivalents**. ETN is not a depositary receipt.
- FX bridge: **1.0 USD quote currency per 1.0 USD reporting currency**, dated 2026-07-31, because the currencies are identical.
- Historical statutory bridge: SHA-256 `93a3c2f30d336f1f1455c8b247ac73eeb012e1eb1840cb936ff7edcc7f0af923`. The installed validator returned `STATUTORY_BRIDGE_VALID`; the quote validator returned `QUOTE_PACKET_VALID`; and `gate_manifest.json` records `STATUTORY BRIDGE VERIFIED - CLEARED FOR FORECASTING` with no unresolved items.

The share-count convention deserves emphasis. The packet's 389.4 million is the required quote-basis starting point. The reconstructed TTM weighted average of 389.65 million remains useful historical evidence, but it is not substituted into the forecast share path because the packet explicitly seals the quote-date financial basis at 389.4 million.

2. Segment-level forward assumptions

The first three segment rows enter the continuing-Eaton horizon. Mobility is reproduced because its appendix is reviewed and because the distributed security's economics matter later, but the row is explicitly deconsolidated in Sections 3 and 4.

Segment	Exact profit metric	TTM revenue USD B	Bear 2031 revenue	Base 2031 revenue	Bull 2031 revenue	Bear margin	Base margin	Bull margin
Electrical Americas	Segment operating profit (loss)	14.467	17.706	21.529	24.217	24.06%	28.75%	30.69%
Electrical Global	Segment operating profit (loss)	7.916	10.377	11.995	13.394	17.66%	20.88%	22.58%
Aerospace	Segment operating profit (loss)	4.552	5.325	6.390	7.293	22.74%	26.18%	27.88%
Mobility, distributed perimeter	Segment operating profit (loss)	3.092	2.805	3.402	3.978	8.2%	13.9%	16.7%

Sources are `appendix_B_electrical_americas.md` Sections 8-10, `appendix_B_electrical_global.md` Sections 8-10, `appendix_B_aerospace.md` Sections 8-10, and `appendix_B_mobility.md` Sections 8-10 plus its "Dana RMT and Eaton perimeter handoff." The numbers above are reproductions, not new top-down forecasts.

Electrical Americas is the dominant continuing driver. Its base revenue path grows from $14.467 billion to $21.529 billion, while the modeled mix shifts further toward Systems. The base terminal margin of 28.75% is only 47 basis points above the 28.28% TTM segment margin and remains below FY2024 and FY2025 peak territory. The case is therefore growth-dependent, but it does not require a new margin record.

Electrical Global includes a special acquisition-perimeter normalization. Boyd closed during Q1 2026, so the TTM contains only partial ownership. Its appendix normalizes Boyd to the disclosed $1.7 billion FY2026 acquired-company revenue expectation and compounds that economic base for 4.5 years. The resulting first-year reported growth is not presented as organic growth. Aerospace compounds from an exact TTM channel allocation proxy and benefits from aftermarket mix in base and bull. Mobility's standalone scenarios remain useful evidence for the future distributed security, but none of its horizon operating dollars belong in continuing Eaton after the expected closing.

3. Combined revenue build

The displayed sum begins with all four reviewed standalone segment models so that the transaction adjustment is visible. Mobility is then removed as an explicit deconsolidation line. No corporate revenue eliminations exist in the sealed history; the $1 million historical segment-sum difference is issuer rounding rather than an elimination.

Line	Bear	Base	Bull
Sum of all four standalone segment 2031 revenue, USD B	36.213	43.317	48.882
Mobility deconsolidation after expected Q1 2027 RMT, USD B	(2.805)	(3.402)	(3.978)
Corporate eliminations	0.000	0.000	0.000
Combined continuing-Eaton 2031 revenue, USD B	**33.408**	**39.915**	**44.904**
Continuing-Eaton TTM revenue anchor, USD B	26.934	26.934	26.934
TTM 2026-06-30 to 2031-06-30 CAGR	**4.40%**	**8.18%**	**10.76%**

The continuing TTM anchor is $30.026 billion consolidated revenue less $3.092 billion Mobility revenue, or $26.934 billion. This preserves like-for-like perimeter arithmetic for the five-year CAGR. It does not claim that Mobility was already discontinued in the reported TTM; the historical statutory tie-out in Section 8 necessarily uses the four-segment reported perimeter.

The base revenue result is driven by Electrical Americas, whose $7.062 billion increase accounts for about 54% of the $12.981 billion continuing-Eaton increase. Electrical Global adds $4.079 billion, including the partial-to-full Boyd normalization, and Aerospace adds $1.838 billion. The model therefore depends materially on electrical infrastructure demand and capacity conversion. It is not simply an Aerospace recovery model.

4. Combined operating income build

The segment appendices forecast only Segment operating profit (loss). The synthesis removes Mobility's standalone profit and applies each sealed operating bridge line separately. There is no corporate/unallocated line between segment sum and consolidated segment profit in the sealed packet.

Line	Bear	Base	Bull
Sum of all four segment 2031 profit on sealed metric, USD B	7.533	10.840	13.153
Mobility deconsolidation adjustment, USD B	(0.230)	(0.473)	(0.664)
Continuing segment-profit sum, USD B	7.303	10.367	12.489
Corporate / unallocated adjustments	0.000	0.000	0.000
Consolidated continuing Segment operating profit (loss), USD B	7.303	10.367	12.489
Intangible asset amortization expense, USD B	(0.750)	(0.580)	(0.420)
Restructuring program charges, USD B	(0.180)	(0.080)	(0.030)
Other expense - net, operating-classified component, USD B	(1.077)	(1.400)	(1.499)
Combined statutory 2031 operating income, USD B	**5.297**	**8.307**	**10.541**
Statutory operating margin	**15.86%**	**20.81%**	**23.47%**

The forecast rules follow `data_package.md` Section 3a. Intangible amortization is an independent schedule. Bear assumes slower runoff and possible additional acquisition additions, leaving $0.750 billion of expense; base assumes disclosed runoff across the closed acquisition portfolio, leaving $0.580 billion; bull assumes faster runoff and no new acquisition layer, leaving $0.420 billion. These values are statutory expenses, not segment-margin allocations.

Restructuring is also independent. Bear extends the program and retains $0.180 billion of annual charges; base allows the disclosed program to taper to $0.080 billion; bull requires evidence of earlier cessation and retains only $0.030 billion. No case sets the line to zero merely to improve EPS.

Other expense - net is projected as a percentage of continuing segment profit, consistent with the Section 3a driver ledger. The historical ratios were 13.18% of segment profit in FY2025 and 14.74% in the TTM. Bear holds the high TTM ratio at 14.74%; base normalizes to 13.50%, within the FY/TTM range; bull uses 12.00% only with successful integration and better corporate absorption. The arithmetic is $7.303 billion × 14.74% = $1.077 billion, $10.367 billion × 13.50% = $1.400 billion, and $12.489 billion × 12.00% = $1.499 billion.

The resulting statutory operating margin is intentionally much lower than the consolidated segment-profit margin. This prevents the common error of attaching Eaton's adjusted or segment margin directly to statutory EPS. The model also does not assume that the Mobility transaction eliminates all stranded costs. Because final stranded-cost disclosure is absent, the other-expense ratios remain consolidated cushions rather than being reduced mechanically by Mobility's exit.

5. Net income and EPS build

Below-line items remain separate from operating adjustments. Interest reflects the Q2 2026 gross debt of $20.611 billion, the suspended 2026 repurchase program, scheduled repayment capacity, and the intended use of the approximately $1.1 billion Mobility pre-close cash distribution, which is payable to Eaton. The cash amount is not a direct shareholder distribution in this model.

Line	Bear	Base	Bull
Combined statutory 2031 operating income, USD B	5.297	8.307	10.541
Interest expense - net, USD B	(0.600)	(0.350)	(0.150)
Other expense - net, non-operating, USD B	(0.050)	(0.030)	0.000
Pretax income, USD B	**4.647**	**7.927**	**10.391**

Line	Bear	Base	Bull
Assumed effective tax rate	21.0%	18.5%	17.0%
Income tax expense, USD B	(0.976)	(1.466)	(1.766)
Net income, USD B	**3.671**	**6.461**	**8.624**
Quote-basis diluted financial shares at 2031, M	384.645	380.263	377.796
EPS, reporting USD per quote-basis financial share	9.544	16.990	22.828
Financial shares per listed unit	1.000	1.000	1.000
EPS, reporting USD per listed unit	9.544	16.990	22.828
FX, quote USD per reporting USD	1.000	1.000	1.000
EPS, quote USD per listed unit at 2031-06-30	**9.54**	**16.99**	**22.83**

Bear assumes leverage remains elevated and refinancing is less favorable, so annual net interest remains $0.600 billion. Base assumes the Mobility cash receipt plus internally generated cash support measured deleveraging, reducing net interest to $0.350 billion. Bull assumes faster repayment and favorable cash accumulation, reducing the line to $0.150 billion. These are explicit debt/coupon schedule proxies, not capitalized interest embedded in segment profit. The non-operating other line remains a $0.050 billion expense in bear, normalizes to $0.030 billion in base, and reaches zero only in bull.

The tax schedule is constrained by the FY2025 effective rate near 17.1% and the TTM rate near 20.5%. Bear uses 21.0%, base 18.5%, and bull 17.0%. The base does not assume the low end of history survives automatically after acquisitions and portfolio changes.

The mandatory unit arithmetic is:

```
EPS_REPORTING_PER_QUOTE_BASIS_FINANCIAL_SHARE = NI_REPORTING ÷
QUOTE_BASIS_DILUTED_FINANCIAL_SHARES
```

```
EPS_QUOTE_PER_LISTED_UNIT = EPS_REPORTING_PER_QUOTE_BASIS_FINANCIAL_SHARE ×
FINANCIAL_SHARES_PER_LISTED_UNIT × FX_QUOTE_PER_REPORTING
```

For base, $6.460767 billion × 1,000 ÷ 380.263165 million = $16.990253 per quote-basis financial share; × 1.0 financial share per listed unit × 1.0 USD/USD = **$16.990253 per listed ETN ordinary share**. The same bridge yields $9.544083 in bear and $22.827619 in bull.

6. Explicit share-count path

The paths begin at the packet-sealed 389.4 million quote-basis financial shares. The 2026 buyback suspension is carried through the first forecast year. Thereafter, buybacks vary with cash generation and deleveraging: cumulative cash is $2.50 billion in bear, $5.25 billion in base, and $7.75 billion in bull over the five forecast rows. Base is close to the $4.762 billion actually repurchased over FY2021-FY2025, but delayed because Q2 2026 net debt is $19.916 billion.

Comparable TTM SBC is not disclosed. The share-issuance proxy therefore uses the issuer-disclosed FY2025 pretax equity compensation of $126 million, divided by each case's assumed average share price. This follows the framework's approximation rule and is not a claim that accounting expense equals shares issued. Historically, diluted weighted-average shares declined from 401.1 million in FY2023 to 399.4 million in FY2024 and 391.2 million in FY2025, then to 389.65 million on the reconstructed TTM basis, consistent with repurchases more than offsetting modest equity issuance.

Bear share path

Year ending June 30	Starting shares M	Buyback USD B	Avg price USD	Shares retired M	SBC issuance M	Ending shares M
2027	389.400	0.000	380	0.000	0.332	389.732
2028	389.732	0.250	360	0.694	0.350	389.387
2029	389.387	0.500	370	1.351	0.341	388.376
2030	388.376	0.750	390	1.923	0.323	386.776
2031	386.776	1.000	410	2.439	0.307	384.645

Base share path

Year ending June 30	Starting shares M	Buyback USD B	Avg price USD	Shares retired M	SBC issuance M	Ending shares M
2027	389.400	0.000	430	0.000	0.293	389.693
2028	389.693	0.750	450	1.667	0.280	388.306
2029	388.306	1.250	480	2.604	0.263	385.965
2030	385.965	1.500	510	2.941	0.247	383.271
2031	383.271	1.750	540	3.241	0.233	380.263

Bull share path

Year ending June 30	Starting shares M	Buyback USD B	Avg price USD	Shares retired M	SBC issuance M	Ending shares M
2027	389.400	0.000	470	0.000	0.268	389.668
2028	389.668	1.000	520	1.923	0.242	387.987
2029	387.987	1.750	570	3.070	0.221	385.138
2030	385.138	2.250	620	3.629	0.203	381.712
2031	381.712	2.750	670	4.104	0.188	377.796

The arithmetic ties exactly before display rounding. Bear: 389.400 - 6.407897 retired + 1.652513 issued = 384.644616 million. Base: 389.400 - 10.452751 + 1.315915 = 380.263165 million. Bull: 389.400 - 12.726762 + 1.122731 = 377.795969 million.

One transaction uncertainty remains material. The model assumes the eventual Mobility distribution does not cancel ETN shares. If the RMT uses an exchange offer, tendered Eaton shares could reduce continuing-Eaton shares while changing which holders receive the distributed security. Final documents must replace this neutral assumption. Guessing the exchange ratio now would create false precision and could double count the distributed value.

7. P/E 15 test

Required EPS at the sealed price is $415.20 ÷ 15 = **$27.68 per listed ordinary share**.

Case	2031 EPS USD per listed unit	EPS × 15	Packet price USD	Cushion	Pass?
Bear	9.54	143.16	415.20	(65.52%)	FAIL
Base	16.99	254.85	415.20	(38.62%)	FAIL
Bull	22.83	342.41	415.20	(17.53%)	FAIL

Cushion equals `(EPS × 15 - 415.20) ÷ 415.20`. The confident case is base, not bull. Base EPS × 15 is $160.35 below the packet price and therefore fails the price gate with a **(38.62%) cushion**. Even the operating bull case fails. The distributed Mobility security is deliberately not inserted into EPS or into this P/E gate; it must instead be valued once in the later total-shareholder-wealth bridge.

8. Reflexivity and historical bridge check

Reported TTM revenue uses the full four-segment perimeter. The segment revenue sum is $14.467 + $7.916 + $4.552 + $3.092 = $30.027 billion versus consolidated revenue of $30.026 billion, a $0.001 billion or 0.003% rounding difference. The TTM segment-profit sum is $4.091 + $1.543 + $1.129 + $0.409 = $7.172 billion. Applying the sealed bridge gives $7.172 - $0.646 amortization - $0.153 restructuring - $1.057 other operating expense = **$5.316 billion statutory operating income**, exactly the consolidated figure.

FY2025 is the historical sanity check. Segment revenue sums to $13.276 + $6.815 + $4.249 + $3.109 = $27.449 billion versus $27.448 billion reported, again a $1 million rounding difference. Segment profit sums to $3.972 + $1.323 + $1.013 + $0.405 = $6.713 billion. The sealed bridge is $6.713 - $0.486 - $0.133 - $0.885 = **$5.209 billion statutory operating income**, exactly reported.

No plug, reclassification, residual, or silent scaling is used. The sealed packet records only immaterial issuer rounding: FY2025 pretax residual +$1 million and net-income residual -$1 million within $3.3565 million tolerance; TTM pretax residual +$2 million within $3.586 million tolerance.

9. Latest interim bridge reconciliation

The cumulative interim bridge is triggered. Both H1 periods cover January 1 through June 30, so the construction is like-for-like and non-overlapping:

Line item USD M	FY2025	Less H1 FY2025	Plus H1 FY2026	TTM ended 2026-06-30
Revenue	27,448	(13,404)	15,982	30,026
Statutory operating income	5,209	(2,456)	2,563	5,316
Pretax income	4,932	(2,363)	2,251	4,820
Net income	4,090	(1,947)	1,690	3,833
Net income attributable	4,087	(1,945)	1,687	3,829

Diluted shares are reconstructed on a weighted-time basis rather than added: `(391.2 × 12 - 392.5 × 6 + 389.4 × 6) ÷ 12 = 389.65 million`. Historical attributable EPS is $3.829 billion ÷ 389.65 million = $9.827. The forecast nonetheless starts at packet-sealed 389.4 million as required. The bridge uses FY2025 less comparable H1 FY2025 plus comparable H1 FY2026; it does not add Q1, Q2, H1, and annual values together.

10. Sensitivity: variables that matter

The table holds all other base assumptions constant. Electrical Americas revenue sensitivity changes its five-year CAGR by ±200 basis points and retains the 28.75% base terminal segment margin. Electrical Global sensitivity changes its exact Segment operating profit (loss) margin by ±200 basis points. Share sensitivity changes only the 2031 denominator. Tax sensitivity changes the 18.5% base rate by ±300 basis points.

Variable	Down case	Base EPS	Up case	EPS span versus base
Electrical Americas revenue CAGR: 6.28% / 8.28% / 10.28%	15.97	16.99	18.09	(1.02) / +1.10
Electrical Global terminal segment margin: 18.88% / 20.88% / 22.88%	16.55	16.99	17.44	(0.44) / +0.45
2031 share count: +5% / base / (5%)	16.18	16.99	17.88	(0.81) / +0.89
Effective tax rate: 21.5% / 18.5% / 15.5%	16.37	16.99	17.62	(0.62) / +0.63

Electrical Americas growth is the largest tested earnings variable, followed by share count. Yet no single sensitivity rescues the gate. Even the +200 basis-point Electrical Americas growth case produces only about $18.09 EPS, worth about $271 at 15×. A lower share count improves base EPS to about $17.88, also far below the required $27.68. The conclusion is therefore not a knife-edge result of tax or one segment margin assumption.

The greatest unmodeled total-shareholder-return variable is the distributed Mobility security, not continuing EPS. It cannot be responsibly placed in this sensitivity table until final share allocation, debt transfer, tax, and stranded-cost terms are filed. Its exclusion is conservative, transparent, and avoids counting both Mobility earnings and distributed value.

11. Combined earnings summary

Probabilities are **25% bear, 55% base, and 20% bull**. Base receives the majority because strong orders, backlog, raised 2026 organic-growth guidance, and durable electrical/aerospace demand support growth. Bear exceeds bull because the current anchor already contains unusual data-center momentum, partial acquisition effects, elevated leverage, capacity ramps, and transaction uncertainty. These weights are deliberately non-uniform.

Case	Revenue USD B	OI USD B	OI margin	NI USD B	EPS USD per listed unit	Probability	EPS × 15	Versus USD 415.20
Bear	33.408	5.297	15.86%	3.671	9.54	25%	143.16	(65.52%)
Base	39.915	8.307	20.81%	6.461	16.99	55%	254.85	(38.62%)
Bull	44.904	10.541	23.47%	8.624	22.83	20%	342.41	(17.53%)
Probability-weighted diagnostic	39.286	8.001	20.37%	6.196	16.30	100%	244.44	(41.13%)

Probability-weighted EPS is `9.544083 × 25% + 16.990253 × 55% + 22.827619 × 20% = 16.296184`. This is a diagnostic average, not a fourth operating scenario. Multiplying by 15 gives $244.44, or a (41.13%) cushion to the packet price. Revenue, OI, and NI in the weighted row are likewise probability-weighted dollars; the displayed weighted OI margin is weighted OI divided by weighted revenue, not the average of scenario margins.

Tie-out checks

1. PASS - reported financials and sealed statutory bridge

TTM revenue: $14.467 + $7.916 + $4.552 + $3.092 = $30.027 billion versus $30.026 billion consolidated, a 0.003% rounding difference. TTM operating income: $7.172 - $0.646 - $0.153 - $1.057 = $5.316 billion, exact. FY2025 revenue: $27.449 billion segment sum versus $27.448 billion consolidated, a 0.004% difference. FY2025 OI: $6.713 - $0.486 - $0.133 - $0.885 = $5.209 billion, exact. Sources: `data_package.md` Sections 2, 3, and 3a; `statutory_bridge.json` both period objects.

2. PASS - net income, shares, listed unit, and FX reproduce EPS

Bear: $3.671080 billion × 1,000 ÷ 384.644616 million × 1.0 × 1.0 = $9.544083. Base: $6.460767 billion × 1,000 ÷ 380.263165 million × 1.0 × 1.0 = $16.990253. Bull: $8.624183 billion × 1,000 ÷ 377.795969 million × 1.0 × 1.0 = $22.827619. Sources: Sections 5-6 of this appendix and the 1:1 unit/FX bridge in `quote_packet.json`.

3. PASS - segment sum ties at the horizon

Before transaction adjustment, the four segment revenue totals are $36.213397 billion bear, $43.316516 billion base, and $48.881506 billion bull. Subtracting Mobility of $2.805, $3.402, and $3.978 billion yields continuing revenue of $33.408397, $39.914516, and $44.903506 billion. Continuing combined revenue divided by the continuing three-segment sum is 100.000% in every case. The named difference is Mobility deconsolidation, not a corporate elimination. Sources: Section 3 and all four appendix Section 10 tables.

4. PASS - product-to-segment rollups

Electrical Americas Products plus Systems equals each segment total within $1 million. Electrical Global's seven modeled lines equal $10.376997, $11.995316, and $13.393706 billion before display rounding. Aerospace's three lines equal $5.3254, $6.3902, and $7.2928 billion. Mobility's three lines equal approximately $2.805, $3.402, and $3.978 billion. Every gap is below 0.1%, well inside the 1% threshold. Sources: each `appendix_B_*.md` Section 10.

5. PASS - weighted margins reproduce segment margins

Electrical Americas bear illustrates the check: $0.854 + $3.406 = $4.260 billion, and $4.260 ÷ $17.706 = 24.06%. Base and bull reproduce 28.75% and 30.69%. Electrical Global's product-profit sums reproduce 17.66%, 20.88%, and 22.58%; Aerospace reproduces 22.74%, 26.18%, and 27.88%; Mobility reproduces 8.2%, 13.9%, and 16.7%. All differences are display rounding below 1 percentage point. Sources: appendix Sections 9-10.

6. PASS - share count and security-unit path

Packet start: 389.4 million financial-statement diluted shares × split factor 1.0 = 389.4 million quote-basis financial shares; ÷ depositary/class factor 1.0 = 389.4 million listed equivalents. Bear ending shares equal 389.400 - 6.407897 + 1.652513 = 384.644616 million. Base equals 389.400 - 10.452751 + 1.315915 = 380.263165 million. Bull equals 389.400 - 12.726762 + 1.122731 = 377.795969 million. All paths contain exactly five annual rows and use financial shares, not ADR units. Sources: `quote_packet.json` and Section 6.

7. PASS - growth plausibility

Electrical Americas base CAGR of 8.28% is below 1.2× its disclosed 14.7% historical CAGR. Aerospace base CAGR of 7.02% is below 1.2× its 11.6% FY2023-FY2025 CAGR. Mobility base CAGR of 1.9% is below its cited comparable trajectory. Electrical Global's reported base CAGR of 8.67% exceeds 1.2× its roughly 5.8% recent historical segment CAGR only because Boyd is normalized from partial TTM ownership to the disclosed $1.7 billion FY2026 economic base; its appendix explicitly quantifies the step and then settles the base path near 6.5%, below the cited 13% Legrand data-center comparable. Sources: appendix Sections 6, 8, and 10. The required justification exists.

8. PASS - five-year historical arithmetic

For 42 ordinary product/case rows, `TTM revenue × (1 + CAGR)^5` reproduces displayed 2031 revenue with a maximum absolute deviation of approximately 0.23%, caused by rounded Mobility commercial-vehicle bear CAGR and revenue. Boyd uses its disclosed exception: $1.7 billion FY2026 base `× (1 + growth)^4.5` equals $1.942 billion bear, $2.505 billion base, and $2.946 billion bull within 0.02%. No line compounds for six years. Sources: all appendix Sections 8 and 10.

9. PASS - recency anchor

Continuing TTM revenue is $26.934 billion. Base first-forward-year revenue is Electrical Americas $16.028 billion + Electrical Global $9.311 billion + Aerospace approximately $4.972 billion = about $30.311 billion, a 12.54% increase. This exceeds the mechanical 10% band, but the appendices provide quantified primary-source evidence for the step: Q2 group organic growth was 14%, FY2026 group organic-growth guidance was raised to 11%-13%, Electrical Americas Q2 organic growth was 18% with orders +41%, and Electrical Global's first year includes explicit Boyd partial-to-full ownership normalization. The post-normalization Electrical Global base rate settles near 6.5%. Sources: `data_package.md` Sections 5-6 and the three continuing segment appendices' year-by-year tables. The documented step-change exception is satisfied.

10. PASS - period and horizon integrity

The TTM bridge is FY2025 less H1 FY2025 plus H1 FY2026. Both H1 periods cover January 1-June 30, and no quarter overlaps the cumulative H1 values. Revenue is 27,448 - 13,404 + 15,982 = 30,026 million; OI is 5,209 - 2,456 + 2,563 = 5,316 million; net income is 4,090 - 1,947 + 1,690 = 3,833 million. Every forecast runs from 2026-06-30 to 2031-06-30, exactly five calendar years. Sources: `quant_foundation.md` P4, `data_package.md` Section 3a, and appendix horizon labels.

11. PASS - valuation, units, hashes, and probability arithmetic

Exact packet bytes recompute to SHA-256 `de87e41d84b51ab60c3074ba85b035cec205811cfe46370f8b760c4bd0cf01e5`; statutory bridge bytes recompute to `93a3c2f30d336f1f1455c8b247ac73eeb012e1eb1840cb936ff7edcc7f0af923`. XNYS:ETN price is USD 415.20 per ordinary share; split, depositary, class, and FX factors are all 1. Bear/base/bull EPS × 15 equals $143.16/$254.85/$342.41. Probabilities 25% + 55% + 20% = 100%, and weighted EPS equals $16.296184. Base cushion is `($254.853790 - $415.20) ÷ $415.20 = (38.62%)`. Sources: `quote_packet.json`, `statutory_bridge.json`, validator output, and Sections 7 and 11.

Synthesis conclusion

All 11 required arithmetic checks pass. The model is mechanically coherent, preserves the sealed statutory bridge, uses the exact five-year TTM horizon, and keeps security units and currencies aligned. It also treats the Mobility transaction conservatively: no post-closing Mobility operating revenue or profit appears in continuing Eaton, and no speculative distributed-security value is smuggled into EPS.

The P/E 15 gate nevertheless fails decisively. Base continuing-Eaton EPS of **$16.99** supports **$254.85** at 15× versus the sealed **$415.20** quote, a **(38.62%) cushion**. Even bull EPS of $22.83 supports only $342.41. The required EPS is $27.68. The later total-return model should separately underwrite the Mobility distributed security and the use of the approximately $1.1 billion Eaton cash receipt, with final transaction mechanics and no double count. Those potentially valuable items do not change this appendix's binary conclusion: on continuing-Eaton FY+5 statutory EPS, the entry-price gate is a clear **FAIL**.

Eaton Corporation plc (ETN) - Compounder Score

Analysis date: 2026-08-02 **Financial anchor:** TTM ended 2026-06-30 **Exact horizon:** 2031-06-30, exactly 5.0 years **Currency:** USD **Current price:** $415.20 per NYSE ordinary share **Scope:** Diagnostic security underwriting only. `trade_execution_authorized=false`. This appendix has no trade, ranking, portfolio-mutation, or sizing authority.

1. Executive Verdict

Eaton is a good industrial franchise priced as though the best parts of its current cycle, acquisition program, and margin structure will persist. The evidence supports durable specification positions, mission-critical products, pricing power, high backlog, strong cash generation, and an unusually coherent shift toward Electrical and Aerospace. It does not support a 20% annualized shareholder return from $415.20 over the exact five-year horizon. The score is **64/100**, comprising **62/80** for Business Quality and **2/20** for 20% Return Underwriting. The score-implied classification is **Reject**.

That classification is intentionally stricter than saying Eaton is a poor company. Eaton's FY2021-FY2025 revenue, NOPAT, and free-cash-flow CAGRs were approximately 8.74%, 19.39%, and 22.30%, respectively. Statutory ROIC including goodwill improved every year, from 9.2% to 15.8%. Aggregate free cash flow equaled about 82.49% of aggregate NOPAT, diluted shares declined, and stock compensation was modest. Electrical and Aerospace backlog, qualification requirements, installed-base service needs, and failure-cost asymmetry support a real moat.

The score is capped for four reasons. First, the five-year median goodwill-inclusive ROIC is only 12.9%, not the greater-than-30% level required for a top rubric score. Second, a framework-compliant organic and acquisition-inclusive ROIIC cannot be calculated from the reviewed packet because cumulative non-cash working capital, growth-opex, disposal, and acquisition reinvestment are not provided on a clean comparable basis; a high incremental NOPAT-to-average-capital-change proxy is encouraging but is not a substitute. Third, roughly $11.08 billion of Boyd Thermal and Ultra PCS acquisitions closed in Q1 2026, lifting current net debt to $19.916 billion, and their post-amortization, post-integration returns are not yet observable. Fourth, both management and moat reviews are YELLOW rather than PASS.

Valuation is the decisive constraint. Continuing-Eaton base EPS is $16.99 at 2031-06-30. The ER2 P/E-15 gate values that EPS at $254.85, **38.62% below** $415.20. This separate shareholder-return bridge uses independently selected exit P/Es of 18x bear, 24x base, and 28x bull, not the gate's 15x. It also includes cumulative cash dividends and a bounded value for the Mobility security distributed to Eaton holders. Even so, gross USD IRRs are **-13.78% bear, 1.34% base, and 10.57% bull**. The probability-weighted gross USD IRR is **0.74%**, calculated as the CAGR of probability-weighted terminal wealth, not as an average of scenario IRRs.

The 20% case requires a base terminal P/E of approximately 58.69x after giving credit for $24 per share of cash dividends and $12 per share of Mobility value. That is material expansion from the current approximately 42.25x TTM statutory P/E and far above the governed 24x base exit. The evidence therefore supports a quality watch at a much lower price, but the diagnostic rubric classifies the security as Reject at the packet price because hard vetoes 8 and 9 fail.

2. Data Source Map

The scorer used the reviewed ER2 source chain and did not introduce a new live data pull. All important current and forecast values below trace to the sealed or reviewed files.

Evidence need	Controlling ER2 source	Period / basis	Use in this appendix	Confidence
Price and security units	`quote_packet.json`; `quant_foundation.md`	2026-07-31 close; 1:1 ordinary-share bridge	$415.20 price and 389.4M starting diluted shares	High
Historical income statement	`quant_foundation.md`; `data_package.md`	FY2021-FY2025; TTM 2026-06-30	Revenue, operating income, NOPAT, EPS	High
Cash flow and capital allocation	`quant_foundation.md` P6; `data_package.md` Sections 7-8	FY2021-FY2025; TTM	FCF, capex, dividends, buybacks, debt	High
Balance sheet and leverage	`quant_foundation.md` P6; `data_package.md` Section 8	2026-06-30	$19.916B current net debt	High
Segment economics and runway	Four reviewed `appendix_B_*.md` files	TTM to 2031-06-30	Bottom-up growth, margins, risks	High for disclosed values; Medium for forecasts
Management and governance	`appendix_management.md`	Reviewed through 2026-08-02	YELLOW gate; deal and incentive evidence	High

Evidence need	Controlling ER2 source	Period / basis	Use in this appendix	Confidence
Moat and durability	`appendix_moat.md`	Five-, ten-, and twenty-year tests	YELLOW moat; 2046 PASS	Medium-High
Combined earnings and shares	`appendix_synthesis.md`	TTM to 2031-06-30	Scenario revenue, NI, EPS, diluted shares	High for arithmetic; Medium for forecasts
Mobility transaction	`data_package.md`; Mobility appendix; synthesis	Expected Q1 2027 close	Bounded distributed-security value and $1.1B Eaton cash receipt	Medium-Low pending final terms
SBC	`quant_foundation.md` P6; management appendix	FY2025	$126M pretax; 0.46% of revenue	High

The quantitative foundation's official-source overrides remain controlling. In particular, FMP's defective Q1 FY2026 Mobility revenue and FY2025 eMobility value do not enter any score or valuation. The synthesis passed 11 of 11 tie-outs, and the exact quote and statutory bridge hashes were already verified upstream.

3. Key Financial and Quality Metrics

The historical table uses FY2021 through FY2025, which contains four elapsed annual compounding intervals. The label "five-year history" refers to five observations, not five compounding years. NOPAT equals statutory operating income multiplied by one minus the reported effective tax rate. FCF equals operating cash flow less capex.

Metric	FY2021	FY2025	Historical calculation / interpretation
Revenue, USD B	19.628	27.448	8.74% CAGR over four intervals
Statutory operating income, USD B	2.870	5.209	Margin rose from 14.6% to 19.0%
NOPAT, USD B	2.127	4.322	19.39% CAGR over four intervals
Free cash flow, USD B	1.588	3.553	22.30% CAGR over four intervals
Goodwill-inclusive ROIC	9.2%	15.8%	Five-observation median 12.9%
Diluted shares, M	401.6	391.2	(0.65%) CAGR; net shrinkage
SBC, USD M	101	126	0.46% of FY2025 revenue; 3.55% of FY2025 FCF

Aggregate FY2021-FY2025 FCF was $13.462 billion and aggregate NOPAT was $16.320 billion, producing **82.49% FCF conversion**. That is strong for an engineered hardware company funding working capital and capex, but it is not perfect conversion and should not be applied mechanically to future segment profit. TTM FCF was $3.934 billion. At the packet-price diluted market capitalization of approximately $161.679 billion, the TTM FCF yield is only **2.43%**.

Current packet-price market capitalization is calculated as $415.20 times 389.4 million quote-basis diluted shares, or **$161.679 billion**. Adding $19.916 billion of net debt gives a diagnostic enterprise value of **$181.595 billion**. TTM statutory NOPAT using $5.316 billion of operating income and the approximately 20.5% TTM tax rate is about $4.226 billion, implying **EV/NOPAT of 42.97x**. These are scorer calculations, not vendor precomputed ratios.

Current net debt is materially more informative than the FY2025 snapshot. Net debt rose from $9.092 billion at FY2025 to $19.916 billion at 2026-06-30 after the 2026 acquisitions. The packet does not provide a clean TTM EBITDA control, so current net debt/EBITDA is left `null` in the JSON rather than inferred. Current net debt is approximately 5.06x TTM FCF, which illustrates the deleveraging burden without pretending FCF is EBITDA.

Return-on-capital interpretation

The 12.9% five-year median ROIC includes goodwill and is therefore the relevant conservative acquisition-aware measure. Tangible capital is negative at FY2025 because goodwill and intangibles exceed shareholders' equity, so an excluding-goodwill ROIC would be distorted and potentially promotional. It is not used to upgrade the score. The reviewed source chain also does not provide a complete R&D capitalization and lease-adjusted invested-capital series, so adjusted ROIC is represented by the disclosed conservative measure rather than a fabricated precision adjustment.

An incremental proxy is informative but bounded. NOPAT rose by $2.195 billion from FY2021 to FY2025 while average invested capital rose by $4.202 billion, implying 52.24% incremental NOPAT per incremental average-capital dollar. From FY2022 to FY2025, the comparable proxy is about 61.18%. Those values are consistent with strong operating leverage and mix. They are **not** rubric ROIIC because changes in average balance-sheet capital are not the formula's cumulative

reinvestment denominator and because divestiture proceeds and acquisition timing distort the comparison. Accordingly, `roiic_3yr`, `roiic_5yr`, and `acquisition_inclusive_roiic_5yr` remain null in the structured file and 1B receives only 4/8.

4. Rubric Scorecard

Category	Score	Maximum	Skeptical rationale
1. Incremental Returns on Capital	17	25	Improving 12.9% median goodwill-inclusive ROIC, strong proxy incrementals and cash conversion; true ROIIC is not reconstructable and 2026 deals are unseasoned
2. Reinvestment Runway	18	20	Electrical, data-center, utility and Aerospace demand provide scale and visibility; capacity, cycle, and acquisition normalization limit full credit
3. Durability of Moat	13	15	Specification, qualification, installed base and failure costs are real; moat review remains YELLOW because Americas margins and Boyd are not through-cycle proven
4. Accounting and Financial Quality	9	10	Clean statutory bridge, strong cash support, low SBC and no control red flags; acquisition adjustments and intangible burden require vigilance
5. Capital Allocation Discipline	5	10	Coherent reinvestment and portfolio strategy; large 2026 deals, expanded leverage, non-price-sensitive buybacks and no explicit ROIC incentive cap the score
Business Quality Score	**62/80**	**80**	Good franchise, but not yet a proven Gideon-quality acquisition-inclusive compounder
6. Price and 20% Return Underwriting	2	20	Conservative exits and cash returns receive limited credit; every scenario misses 20%, bear is negative, and weighted IRR is 0.74%
Compounder Score	**64/100**	**100**	Valuation cannot be rescued by quality

The sub-item scoring is: 1A 2/5, 1B 4/8, 1C 3/3, 1D 3/3, 1E 3/3, 1F 2/3; 2A 5/5, 2B 4/5, 2C 4/4, 2D 2/3, 2E 2/2, 2F 1/1; 3A 4/4, 3B 2/3, 3C 2/3, 3D 2/2, 3E 2/2, 3F 1/1; 4A 2/2, 4B 2/2, 4C 2/2, 4D 1/2, 4E 1/1, 4F 1/1; and 5A 2/2, 5B 1/2, 5C 0/2, 5D 1/2, 5E 0/1, 5F 1/1. Category 6 is 6A 0/6, 6B 1/4, 6C 0/3, 6D 0/3, 6E 0/2, and 6F 1/2.

5. ROIIC and Reinvestment Analysis

The evidence supports valuable organic reinvestment. Capex rose from $575 million in FY2021 to $919 million in FY2025 and is expected near $1.15 billion in FY2026. R&D remained close to 3% of revenue, and management announced approximately $1.5 billion of North American capacity programs. Electrical Americas grew rapidly while maintaining margins in the high 20s, Aerospace backlog and book-to-bill improved, and Fibrebond generated a strong initial segment-profit result. These outcomes show that Eaton can add capacity and adjacent assets to existing channels.

The evidence does not support a top ROIIC score. A valid denominator would include net capex, change in non-cash working capital, justified capitalized R&D or growth opex, acquisitions, and disposals. The reviewed data provides capex, R&D and net acquisition cash flow, but not a clean cumulative non-cash working-capital or growth-opex schedule. Net M&A cash paid also becomes hard to interpret across portfolio exits and the large 2026 deals. Substituting the change in average invested capital would make a superficially attractive 52%-61% proxy look like precise ROIIC when it is not.

Acquisition-inclusive economics are the central unresolved point. Boyd cost $9.55 billion net of cash and Ultra PCS $1.53 billion. Through June 2026 their combined acquired segment margin was about 23.9%, but this excludes financing, corporate integration expense, intangible amortization, and opportunity cost. H1 2026 acquisition, divestiture, integration, and related transaction costs were $263 million, gross debt rose by $10.716 billion from year-end, and the new management team has less than two quarters of evidence. A score above 4/8 for ROIIC would credit deal returns before they are earned.

The best monitoring test is not adjusted EPS accretion. It is post-amortization, post-integration cash NOPAT divided by the full purchase price and incremental working capital, measured for at least four consecutive quarters. The management review's upgrade condition of returns at least 200 basis points above the cost of capital is appropriate. Until that evidence exists, high organic incrementals and uncertain acquisition-inclusive returns must remain separate.

6. Runway Analysis

Eaton's runway is the strongest part of the score. Electrical Americas serves power distribution, utility equipment, power quality, data centers, commercial buildings and industrial facilities. Electrical sector firm backlog rose from $5.0 billion in FY2021 to $15.3 billion in FY2025, and Q2 FY2026 backlog grew 43% year over year. Aerospace firm backlog rose from $2.4 billion to $4.3 billion over the same period; Q2 FY2026 backlog grew 28%, rolling-twelve-month orders grew 17%, and book-to-bill was 1.2. Qualification cycles and installed equipment make these markets more durable than ordinary short-cycle components.

The reviewed bottom-up base case converts that evidence into 2031 continuing-Eaton revenue of **$39.915 billion**, up at an 8.18% CAGR from the like-for-like $26.934 billion TTM base excluding Mobility. Base statutory operating income is **$8.307 billion**, net income is **$6.461 billion**, and EPS is **$16.99**. The model does not simply extrapolate Q2 growth: Electrical Americas, Electrical Global after Boyd normalization, and Aerospace decelerate. That discipline supports 18/20 for runway.

Full marks are not warranted. Backlog can be subject to customer releases, around 69% of FY2025 total backlog was targeted for delivery within twelve months rather than five years, and Eaton does not disclose physical utilization, unit capacity, ASP, or segment working capital. Data-center demand is structurally attractive but exposed to grid availability, permitting, customer concentration by ecosystem, technology choices, and a fast capacity response by competitors. Boyd's full-year normalization is acquired revenue, not organic growth. The unusually strong current Americas margin and order cycle cannot be treated as a twenty-year annuity.

The repeatability score is also capped because the 2026 capital program has not completed a full conversion cycle. Eaton demonstrated prior portfolio execution and Fibrebond integration, but Boyd is much larger and technologically exposed to cooling architecture change. A durable runway requires both growth and returns above the cost of capital; revenue growth financed by expensive acquisitions or persistently high working capital would not qualify.

7. Moat Analysis

The moat can be stated plainly. Customers buy Eaton because power-distribution and aerospace components are specified into systems where failure costs, certification requirements, safety consequences, downtime, compatibility, and service access matter more than the last unit of purchase price. Eaton's breadth across components, systems, cooling, qualification and installed-base support helps it win designs and serve them over long lifecycles. Aerospace program qualification and aftermarket support create the deepest switching costs. Electrical distributors, contractors, utilities, facilities and data-center operators value availability, engineering support and known system performance.

Pricing power is observable but not unlimited. Electrical Americas' margin rose from 20.6% in FY2021 to 30.2% in FY2024 before settling at 29.9% in FY2025 and 28.3% TTM. That history is consistent with mix, price, productivity and scarcity benefits. It is not proof that approximately 30% survives a normalized capacity cycle. Electrical Global's much steadier 18%-20% margin offers a useful control, while Aerospace's qualification and aftermarket economics support durable returns but still show quarterly mix volatility.

The reviewed moat verdict is **YELLOW**, while the explicit 2046 test is PASS. That combination is appropriate. Eaton's relevance in 2046 is credible: electrification, grid resilience, power quality, thermal management, aviation, defense, and replacement demand should persist. The current profit pool is less certain. Competitors including Schneider, ABB, Siemens, Hubbell, Vertiv, Legrand and specialized aerospace suppliers can add capacity, bundle solutions, and pressure price. Boyd enters a fast-evolving cooling market where standards and customer architecture may change.

Mobility has program-level switching costs but lower structural protection, weaker growth, OEM bargaining power, and cycle exposure. It is expected to leave Eaton through the Dana Reverse Morris Trust, so its terminal operating earnings are excluded from continuing Eaton. Its distributed value is included only once in the shareholder-return bridge below.

8. Accounting and Capital Allocation Analysis

Accounting and cash quality are solid. The statutory foundation ties segment operating profit through amortization, restructuring and other expense to statutory operating income, pretax income and net income. The scorer uses statutory EPS,

not adjusted EPS. Aggregate FCF conversion of 82.49% supports the earnings record. FY2025 SBC was only $126 million, 0.46% of revenue and 3.55% of FCF, while diluted shares declined at approximately 0.65% annually from FY2021 to FY2025. No dual-class structure, related-party concern, material weakness, restatement, or governance enforcement issue was identified in the reviewed record.

The one-point accounting deduction reflects the current acquisition perimeter. Goodwill and intangibles were already $20.823 billion at FY2025, exceeded tangible equity, and increased with Boyd and Ultra PCS. Adjusted EPS excludes acquisition/divestiture costs, restructuring and intangible amortization, while statutory EPS reflects those economic charges. H1 transaction and integration costs and higher interest are real. Cash flow must continue to validate earnings after the acquisition accounting settles.

Capital allocation merits only 5/10. The positive case is coherent: Eaton increased organic investment, funded R&D, paid a progressive dividend, shrank the share count, bought electrical and aerospace adjacencies, and is separating lower-quality Mobility. Suspending 2026 buybacks while financing Boyd is sensible. The negative case is equally concrete. Repurchases were concentrated in FY2024-FY2025 after valuation expanded and were not tied to an explicit intrinsic-value threshold. The $11.08 billion 2026 acquisition step is far larger than the preceding five-year net acquisition spend. Net debt more than doubled, management disclosed no dated leverage schedule, and executive incentives emphasize adjusted EPS, adjusted operating cash flow, and relative TSR rather than ROIC or economic profit.

Management's eight-quarter guidance record is strong, the board reduced a formulaic incentive payout after excluding acquisition and real-estate effects, and insider ownership is meaningful. Those positives prevent a FAIL. The management gate remains YELLOW because CEO Paulo Ruiz and CFO Dave Foster are new in seat, Boyd and Ultra PCS have not earned their purchase prices, and the Mobility transaction has not closed. Capital allocation should be upgraded only after acquisition-inclusive returns, deleveraging and transaction execution become observable.

9. 20% Return Underwriting

Method and perimeter

The exact horizon is 5.0 years from 2026-06-30 to 2031-06-30. The entry price is the sealed July 31, 2026 close of **$415.20**. Scenario probabilities are **25% bear, 55% base, and 20% bull**. Exit P/Es are **18x, 24x, and 28x**, respectively. These are independently selected quality-and-maturity assumptions, not the P/E-15 entry gate and not a claim that today's approximately 42.25x TTM statutory P/E persists. Base therefore assumes material multiple contraction, not expansion.

Continuing terminal equity value is statutory net income times exit P/E. Dividing by the scenario's 2031 diluted shares gives the same result as EPS times P/E. Terminal net debt is disclosed as a balance-sheet consistency assumption but is not subtracted again: statutory net income is after the scenario interest expense, and P/E directly values equity. Subtracting net debt from a P/E-derived equity value would double count leverage.

The terminal net-debt assumptions are $15 billion bear, $8 billion base, and $3 billion bull, versus $19.916 billion currently. Each path includes the approximately **$1.1 billion pre-close Mobility cash receipt to Eaton once**, as a source of debt reduction. It is not treated as a shareholder cash distribution. The paths also require retained FCF after dividends and capital investment; they are scenario assumptions, not management guidance. The synthesis's terminal interest costs of $600 million, $350 million, and $150 million are directionally consistent with those balances.

Cash dividends are modeled as cumulative, undiscounted cash received and held without reinvestment: $21 bear, $24 base, and $27 bull per starting share. The ranges begin near FY2025's approximately $4.16 per diluted share and allow slower or faster growth. Treating the cash as uninvested is conservative and keeps the terminal-wealth method transparent.

Mobility value is also included once. Because final Dana shares, debt allocation, tax leakage, stranded cost and exchange-versus-pro-rata mechanics are not filed, the distributed security is bounded at **$5 bear, $12 base, and $20 bull per current Eaton share**. Those amounts are scenario diagnostics, not a sum-of-the-parts appraisal. No post-close Mobility revenue or profit appears in continuing Eaton's EPS, and none of the $1.1 billion Eaton cash receipt is added to this distributed-security value. This avoids all three common double counts.

Scenario return bridge

Item	Bear	Base	Bull
Probability	25%	55%	20%
Continuing revenue, USD B	33.408	39.915	44.904

Item	Bear	Base	Bull
Statutory operating income, USD B	5.297	8.307	10.541
Statutory net income, USD B	3.671	6.461	8.624
2031 diluted shares, M	384.645	380.263	377.796
2031 statutory EPS, USD	9.544083	16.990253	22.827619
Exit P/E	18x	24x	28x
Continuing terminal equity value, USD B	66.079	155.058	241.477
Continuing terminal equity value/share, USD	171.793	407.766	639.173
Terminal net debt, USD B	15.0	8.0	3.0
Cumulative cash dividends/share, USD	21.00	24.00	27.00
Bounded Mobility security/share, USD	5.00	12.00	20.00
Total terminal shareholder wealth/share, USD	197.793	443.766	686.173
Gross USD annualized IRR	**-13.78%**	**1.34%**	**10.57%**
Maximum entry price for 20% IRR, USD	79.49	178.34	275.76

Continuing terminal equity values use unrounded net income times exit P/E. Per-share values use unrounded EPS times exit P/E. Small differences between total and per-share calculations are display rounding only. Scenario IRR is `(terminal shareholder wealth / 415.20)^(1/5) - 1`.

Probability-weighted terminal wealth is:

`25% x $197.793494 + 55% x $443.766072 + 20% x $686.173332 = $430.754380 per share`.

The required weighted IRR is therefore:

`($430.754380 / $415.20)^(1/5) - 1 = 0.7383%`, rendered **0.74%**.

This is not the arithmetic average of -13.78%, 1.34%, and 10.57%. The arithmetic average, whether weighted or unweighted, is not used. The maximum current price that would produce a 20% CAGR from probability-weighted terminal wealth is `$430.754380 / 1.20^5 = $173.11`, **58.31% below** $415.20.

P/E-15 gate and reverse hurdle

The synthesis base P/E-15 value is $16.990253 times 15, or $254.85. Its cushion is `($254.85 - $415.20) / $415.20 = -38.62%`, a clear FAIL. The gate is separate from the scenario exits.

Even after crediting $36 per share of base dividends plus Mobility value, a 20% return from $415.20 requires terminal wealth of `$415.20 x 1.20^5 = $1,033.09`. Continuing Eaton would need to supply $997.09 per share. Dividing by $16.990253 of base EPS requires an exit P/E of approximately **58.69x**. That is well above the 24x base exit and above the approximately 42.25x current TTM statutory P/E. Thus the 20% case requires major terminal multiple expansion or earnings far beyond the reviewed bottom-up model.

10. Hard Veto Checklist

Hard veto	Result	Evidence
1. ROIIC below cost of capital with no path	Watch	Organic evidence is favorable, but framework ROIIC and post-2026 acquisition ROIIC are not yet measurable
2. ROIC is an artifact of tiny/negative capital	Pass	Conservative score uses goodwill-inclusive ROIC; negative tangible book is not used to inflate returns
3. Growth requires persistent external financing	Pass	Historical FCF is strong, though 2026 acquisitions materially increased debt
4. Material dilution without value creation	Pass	Diluted shares declined about 0.65% annually; SBC is modest
5. Serial large M&A without return disclosure	Watch	2026 deals are large and returns are unproven, but the portfolio logic is coherent rather than serial unrelated M&A

Hard veto	Result	Evidence
6. FCF structurally lags earnings	Pass	Aggregate FCF/NOPAT was 82.49%
7. Concentration/cycle/leverage can permanently impair equity	Watch	Data-center cycle and leverage matter, but customer mix, backlog and FCF mitigate wipeout risk
8. 20% return requires multiple expansion	**Fail**	Base needs about 58.69x terminal P/E after distributions versus 24x governed base exit
9. Flawless execution needed at today's price	**Fail**	Even the reviewed bull case yields only 10.57% gross USD IRR
10. Moat cannot be explained clearly	Pass	Specification, qualification, installed base, service and failure costs create a concise moat
11. Accounting/governance impairs trust	Pass	Clean statutory bridge, controls and governance; management gate is YELLOW, not FAIL
12. Balance sheet can wipe out equity in downturn	Pass	Net debt is elevated but finite relative to FCF; buybacks are suspended and deleveraging is feasible

Two hard vetoes fail. That independently prevents an investable-now classification. The two Watch items on ROIIC and acquisition returns also mean that price alone is not the only missing evidence.

11. Final Decision

Compounder Score: 64/100. The business has attractive growth, improving statutory returns, durable customer positions and real cash generation. It does not meet the rubric's score threshold, and the 20% hurdle fails decisively.

Business Quality Score: 62/80. Eaton is a good franchise, but a 12.9% median goodwill-inclusive ROIC, non-reconstructable true ROIIC, YELLOW management and moat reviews, newly elevated leverage, and unseasoned 2026 acquisition returns prevent a 65/80 quality clearance.

20% Return Underwriting Score: 2/20. All three governed scenario IRRs are below 20%; the bear case is negative, the base case is 1.34%, and the probability-weighted result is 0.74%. Cash dividends and bounded Mobility value do not overcome the entry valuation.

Score-implied classification: Reject. This is a price-and-proof judgment, not a claim that Eaton lacks a franchise. The diagnostic lower-price marker is $173.11 based on probability-weighted terminal wealth and a 20% hurdle; it is not a target price, trading recommendation, ranking, or authorization. Portfolio fit and sizing are outside this stage.

Compounder Score note: **64/100 - strong operating evidence is outweighed by unproven acquisition-inclusive returns and an entry price that fails the 20% hurdle.**

Business Quality Score note: **62/80 - durable Electrical and Aerospace franchises and strong cash conversion are capped by 12.9% median goodwill-inclusive ROIC, YELLOW gates, elevated leverage, and missing clean ROIIC.**

20% Return UW Score note: **2/20 - bear/base/bull gross USD IRRs are -13.78%/1.34%/10.57%, with a 0.74% probability-weighted IRR and a decisive P/E-15 FAIL.**

Confidence: Medium-High. Historical, share, price and synthesis arithmetic confidence is High. Forward multiple, terminal net debt, distributions and Mobility value confidence is Medium to Low because those are explicit scenario assumptions and final RMT terms are pending. The conclusion is robust to that uncertainty because even the bull case, including the largest Mobility credit, remains far below 20%.

12. Machine-Readable JSON

The companion file `compounder_score.json` contains the score, category totals, threshold tests, key metrics, complete scenario bridge, hard-veto results, evidence, data gaps, and `trade_execution_authorized=false`. Numeric ratios and IRRs are stored as decimals unless the field name explicitly ends in `_pct`; dollar totals specify whether they are USD billions or USD per share.

Eaton Corporation plc (ETN) - Scoring Audit

Analysis date: 2026-08-02 **Currency and security:** USD per XNYS:ETN ordinary share **Price:** $415.20 at 2026-07-31 **Forecast anchor and horizon:** TTM ended 2026-06-30 to 2031-06-30, exactly 5.0 years **Audit confidence:** Medium-High on historical and mechanical calculations; Medium-Low on terminal debt, distributions, and Mobility security value.

1. Original vs Audited Scores

The original Markdown and `compounder_score.json` agree on every aggregate score, classification, scenario probability, scenario IRR, and probability-weighted IRR. There is no Markdown/JSON conflict to resolve. The audit nevertheless reduces the score because the original awards points that the rubric expressly disallows when ROIIC is not calculated, gives full credit for an ROIIC trend that cannot be observed, and awards an exit-multiple point even though the 20% case requires major rather than mild multiple expansion.

Item	Original	Audited	Notes
Business Quality Score / 80	62/80	51/80	ROIIC, trend, runway, and acquisition-discipline points reduced
Valuation / 20% Return UW Score / 20	2/20	1/20	Cash returns retain one point; exit-multiple point removed
Total Score / 100	64/100	52/100	Business quality cannot offset the failed return case
Classification	Reject	Reject	Below 70 and hard vetoes 8 and 9 fail

The audited subcategory totals are 9/25 for Incremental Returns on Capital, 16/20 for Reinvestment Runway, 13/15 for Durability of Moat, 9/10 for Accounting and Financial Quality, 4/10 for Capital Allocation, and 1/20 for Price and 20% Underwriting. Eaton is neither a proven dream business under this rubric nor a dream investment at $415.20.

2. Score Reductions and Reasons

Rubric item	Original	Audited	Evidence status	Audit decision
1A Normalized ROIC	2/5	2/5	Partly supported	Preserve; normalized-tax median remains in the 10-15% band
1B ROIIC	4/8	0/8	Missing data / rule breach	Required cap: 3-year, 5-year, and acquisition-inclusive ROIIC are all null
1C ROIIC not deteriorating	3/3	0/3	Unsupported	A trend cannot be scored when the metric itself is unavailable
1D Unit economics	3/3	2/3	Partly supported	Margin and backlog evidence is strong, but segment capital and working-capital data are absent
1E Cash conversion	3/3	3/3	Supported	Five-observation FCF/NOPAT conversion is 82.49%
1F Not an accounting artifact	2/3	2/3	Supported	Goodwill-inclusive capital is used and tangible-capital inflation is avoided
2A Large opportunity	5/5	4/5	Partly supported	Backlog and end-market demand are real; exact TAM and concentration are not disclosed
2B Reinvest at scale	4/5	3/5	Partly supported	Organic capacity evidence exists; $11.08B of 2026 deals has no seasoned cash return
2C Organic growth	4/4	4/4	Supported	Backlog, orders, capacity, and the reviewed bottom-up model support the point
2D Repeatable playbook	2/3	2/3	Partly supported	Fibrebond helps, but Boyd is much larger and unseasoned
2E Market structure	2/2	2/2	Supported	Qualification, specification, safety, channels, and backlog support duration

Rubric item	Original	Audited	Evidence status	Audit decision
2F Growth without ROIC collapse	1/1	1/1	Partly supported	Organic margins improved; acquisition-inclusive proof remains pending
3A-3F Durability of moat	13/15	13/15	Supported / partly supported	Existing deductions already capture incomplete pricing and competitive proof
4A-4F Accounting quality	9/10	9/10	Supported	Statutory bridge, multi-year cash conversion, low SBC, and no control red flags support the score
5A Rational reinvestment	2/2	2/2	Supported	Capex, R&D, portfolio focus, and suspended buybacks are coherent
5B Acquisition discipline	1/2	0/2	Missing outcome evidence	Material acquisition-inclusive ROIIC is unavailable; projected accretion is not return proof
5C Buyback discipline	0/2	0/2	Supported zero	Repurchases accelerated after valuation expanded
5D Incentive alignment	1/2	1/2	Partly supported	Ownership and controls help, but incentives omit ROIC/economic profit
5E Owner mentality	0/1	0/1	Unsupported	No founder-like ownership or explicit value-per-share discipline
5F Past decisions	1/1	1/1	Partly supported	Portfolio focus and Fibrebond provide bounded positive evidence
6A Base IRR	0/6	0/6	Supported zero	Audited base IRR is 1.33963835%
6B Conservative exit	1/4	0/4	Calculation / rubric error	A 20% base return needs 58.69x, which is major expansion, not mild expansion
6C Bear acceptable	0/3	0/3	Supported zero	Audited bear IRR is -13.78339220%
6D Reverse DCF beatable	0/3	0/3	Supported zero	Required NOPAT growth is far above the reviewed base path
6E Multiple not perfection	0/2	0/2	Supported zero	42.25x TTM P/E and 2.43% FCF yield leave little room for error
6F Cash returns help	1/2	1/2	Partly supported	Dividends and Mobility value add wealth, but do not approach the hurdle

3. Unsupported Claims

The principal unsupported claim is not qualitative; it is numeric. The original explicitly says the 52%-61% incremental NOPAT-to-average-capital-change figures are not ROIIC, leaves every ROIIC field null, and then awards 4/8 to 1B plus 3/3 to 1C. The scoring-auditor contract is unambiguous: if ROIIC is not calculated, 1B must be zero. The same missing series makes a no-deterioration conclusion untestable. Those seven points are removed.

The original also calls its five-observation ROIC series “adjusted” in structured data even though it is a conservative goodwill-inclusive statutory proxy without an R&D capitalization or lease adjustment. That proxy is useful, but the label overstates its construction. Recomputing with a normalized tax rate near the five-year median rather than each year's reported effective rate leaves the median near 12.7%, still inside the rubric's 10-15% band. The 2/5 score therefore survives, but confidence is not high enough to treat it as a complete adjusted ROIC series.

4. Calculation Errors

The audited shareholder-return bridge uses the original governed assumptions because the arithmetic is correct. Bear wealth is $171.793494 of continuing value plus $21.00 cash dividends plus $5.00 Mobility value, or $197.793494. Base wealth is $407.766072 plus $24.00 plus $12.00, or $443.766072. Bull wealth is $639.173332 plus $27.00 plus $20.00, or $686.173332.

Applying `(wealth / $415.20)^(1/5) - 1` gives finite gross USD IRRs of **-13.7833922017177%**, **1.33963835011262%**, and **10.5694878781245%**.

Probability-weighted terminal wealth is `25% x $197.793494 + 55% x $443.766072 + 20% x $686.173332 = $430.7543795`. Annualizing that wealth gives **0.738266058054271%**. This is the required CAGR of probability-weighted terminal wealth. The weighted arithmetic average of scenario IRRs would be approximately -0.5951%, and is correctly not used.

The 18x, 24x, and 28x exit P/Es are applied to statutory EPS, so terminal net debt must not also be subtracted from P/E-derived equity value. Net debt is reflected indirectly through scenario interest expense. The $1.1B Mobility cash receipt belongs to Eaton and is included once in the assumed debt paths; it is not added to shareholder distributions. Mobility operating earnings are excluded from continuing Eaton, while $5/$12/$20 per share of distributed-security value is included once. That perimeter avoids double counting. The remaining weakness is evidentiary: terminal net debt of $15B/$8B/$3B is not supported by a full annual cash-flow rollforward, and final RMT security allocation is not filed.

The reverse-DCF check confirms the valuation failure. Current EV/NOPAT is 42.97x on $181.595B EV and about $4.226B TTM NOPAT. At a flat EV/NOPAT multiple, a 20% target mechanically requires 20% NOPAT CAGR. At 30x it requires about 28.94%; at 24x it requires about 34.82%. The reviewed base path reaches roughly $6.77B of 2031 NOPAT, only about a 9.9% CAGR. Separately, after $36 of base dividends plus Mobility value, a 20% return requires a 58.68955948x terminal P/E. The original gives 6B one point even though its own calculation establishes major expansion; that point is removed.

5. Missing Data

The most important missing evidence is a clean cumulative reinvestment schedule covering net capex, non-cash working capital, acquisitions, disposals, and any justified growth-opex adjustment. Without it, neither organic nor acquisition-inclusive ROIIC can be scored. Post-amortization and post-integration returns on Boyd and Ultra PCS are also unavailable because the deals have less than two quarters of evidence. Current TTM EBITDA on the sealed statutory basis is missing. Segment working capital, R&D, capital employed, service revenue, utilization, ASP, and customer concentration remain incomplete. Final Dana RMT share allocation, debt transfer, tax leakage, stranded costs, and exchange-versus-pro-rata mechanics are not filed. These gaps lower confidence but do not justify null return outputs because bounded assumptions permit a finite diagnostic.

6. Hard-Veto and Threshold Test Audit

Hard vetoes 8 and 9 remain Fail: the 20% case requires major multiple expansion, and even the bull case earns only 10.57%. Vetoes 1, 5, and 7 remain Watch because ROIIC is missing, the acquisitions are unseasoned, and data-center/leverage concentration is material. The remaining vetoes are reasonably Pass on the reviewed record. Therefore `no_hard_vetoes` is false.

All investable-now threshold tests fail after audit. Total score is below 80, Business Quality is below 65/80, Valuation is below 15/20, Category 1 plus Category 2 is 25/45 rather than at least 35/45, base IRR is below 20%, bear IRR is below 8-10%, hard vetoes exist, and the 20% case requires expansion.

7. Final 20% Hurdle Pass/Fail

FAIL. The audited 20% Underwriting Score is 1/20. The probability-weighted maximum price for a 20% five-year return is $173.11052417, 58.31% below $415.20. The score remains a diagnostic and does not mechanically control the separate ER2 verdict, but it clearly says the present security is not a 20% return proposition.

8. Dream Business / Dream Investment Classification

Neither. Eaton has durable franchises and attractive organic evidence, but it is not yet a proven dream business because acquisition-inclusive ROIIC is missing, goodwill-inclusive ROIC is only in the low-to-mid teens, current leverage is elevated, and both management and moat gates are YELLOW. It is not a dream investment because the entry valuation converts good operating outcomes into weak shareholder returns. The single biggest reason is price: the audited base IRR is 1.34%, and a 20% base return requires an implausible 58.69x terminal P/E.

9. Stage 7 Scorecard Notes

Compounder Score note: **52/100 - durable operating franchises do not offset missing acquisition-inclusive ROIIC and a return profile that fails at the current price.**

Business Quality Score note: **51/80 - strong cash conversion and defensible Electrical/Aerospace positions are capped by unmeasured ROIIC, unseasoned acquisitions, elevated leverage, and YELLOW gates.**

20% Return UW Score note: **1/20 - audited bear/base/bull gross USD IRRs are -13.78%/1.34%/10.57%, weighted IRR is 0.74%, and a 20% base return needs 58.69x terminal P/E.**

10. Auditor JSON

The companion `compounder_score_audit.json` is authoritative for the audited scorecard. It stores full-precision IRRs in percentage units, declares `CAGR_OF_PROBABILITY_WEIGHTED_TERMINAL_WEALTH`, preserves the 25%/55%/20% weights, and agrees with every audited Markdown total and note above.

Eaton Corporation plc - Red Team

Research date: 2026-08-02 **Financial anchor:** TTM ended 2026-06-30; latest completed quarter Q2 FY2026 **Security anchor:** XNYS:ETN at $415.20 on 2026-07-31 **Scope:** Security research only. No trade, order, ranking, allocation, or sizing authority. `trade_execution_authorized=false`.

The synthesis is mechanically competent and economically dangerous. Its statutory bridge, perimeter treatment, horizon, share units, and scenario arithmetic tie. That does not make its base case conservative. The case asks four favorable things to occur together: Electrical Americas converts an exceptional order cycle into five more years of high-single-digit growth without losing its high-20s margin; Boyd turns a $9.55 billion purchase into a differentiated cooling franchise rather than well-capitalized contract hardware; Eaton rapidly deleverages while later spending $5.25 billion on repurchases; and investors still pay 24 times statutory earnings in 2031. At $415.20, there is no need to prove a disaster. One ordinary disappointment is enough to turn a weak return into a loss.

1. The most fragile assumption

The weakest line is **Electrical Americas Systems**, modeled from $10.974 billion of allocated TTM revenue to **$17.030 billion in 2031**, a **9.2% CAGR**, with a **30.0% terminal Segment operating profit (loss) margin**. This line is the economic center of the model: Electrical Americas provides about 54% of continuing Eaton's base revenue increase, and Systems supplies nearly all of that segment's growth and mix benefit. The forecast is presented as a deceleration from 18.7% historical Systems growth, but that comparison flatters the base. The historical interval coincided with data-center growth of roughly 40%-50%, equipment scarcity, lengthening lead times, and unusually strong price/mix. It is not a neutral through-cycle starting point.

The fragile part is not whether electricity demand grows. It is whether Eaton can convert a cyclical scarcity rent into a durable systems margin while competitors add capacity and customers redesign procurement. Eaton is spending at record scale-more than $1 billion of FY2026 capex and roughly $1.5 billion of announced capacity projects-before utilization and returns are observable. Q1 Electrical Americas margin fell to 25.6% from roughly 30% in late 2025; Q2 recovered to 27.5%, but remained below the 28.28% TTM average embedded in the model. The TTM average itself contains the 30.3% Q3 and 29.9% Q4 scarcity-cycle quarters. A forecast that ends at 28.75% is not merely “below peak”; it assumes most of the peak economics survive after industry supply catches up.

This is industry demand, not proof of Eaton-specific share. ABB's Q2 2026 Electrification orders rose 58% comparably, revenue rose 19%, and backlog rose 59%, while ABB announced another approximately $200 million of medium-voltage capacity and introduced a 34.5kV data-center UPS architecture. ABB also disclosed a still-negative price/cost gap despite record demand. That peer evidence validates the end market but simultaneously attacks the inference that Eaton's backlog establishes a unique moat or permanent pricing. It shows competitors are converting the same demand and reinvesting against it ([ABB Q2 2026 official release](https://library.e.abb.com/public/c585b474e3f44783bd99eb5c5ba56039/ABB%20Q2%202026%20Press%20release%20English.pdf)).

The synthesis's own sensitivity quantifies the exposure: reducing Electrical Americas' total base CAGR by 200 basis points lowers 2031 EPS by **$1.02**, from $16.99 to $15.97. That is only the volume effect. If the segment reaches the base $21.529 billion revenue but earns 25.0% rather than 28.75%, segment profit falls by about $807 million; after the modeled 13.5% other-operating-expense ratio and 18.5% tax rate, EPS falls by approximately another **$1.50**. The combined volume-and-margin miss would take base EPS toward roughly $14.5 before any Boyd, leverage, or Mobility disappointment. At 24 times, even that still-generous exit would leave continuing value near $348 per share.

2. The most-likely-to-be-optimistic Stage 5 number

The single Stage 5 number most likely to be revised down is **base 2031 continuing-Eaton statutory operating income of $8.307 billion**, equal to a **20.81% statutory operating margin**. It is an output that quietly stacks several favorable assumptions: $39.915 billion of revenue; Electrical Americas at 28.75%; Electrical Global at 20.88%; Boyd at an analyst-allocated 24.5%; amortization down to $580 million; restructuring down to $80 million; and other operating expense normalized to 13.5% of segment profit despite the TTM ratio being 14.74%.

The number is more optimistic than any one segment row because acquisition and portfolio costs can disappoint even if revenue does not. Eaton incurred $263 million of acquisition-integration, divestiture, and transaction costs in H1 2026, while statutory EPS guidance remained far below adjusted EPS guidance. A recurring acquisition program can keep amortization, restructuring, retention, and integration charges from “running off” on schedule. The model appropriately keeps those costs in statutory earnings, but the base still assumes several of them normalize together. The real-world revision risk is therefore

downward in operating income even if the top line approximates the model.

Electrical Americas' base margin is the largest contributor to that risk. A 28.75% terminal margin is described as only 47 basis points above TTM and below prior peaks. That framing ignores that TTM already averages two peak quarters with two capacity-ramp quarters. The relevant question is not distance from peak; it is what normal pricing and utilization look like after Eaton, ABB, Schneider, Vertiv, and smaller equipment suppliers have all expanded capacity. The moat appendix itself holds Eaton at YELLOW because this is unknown.

3. The strongest bear case, stated in its strongest form

Eaton has paid a peak multiple for a peak-cycle electrical earnings stream and then levered the balance sheet to acquire another peak-cycle AI infrastructure asset. Over the next six to eight quarters, backlog still converts, but competitor capacity, grid-connection delays, customer multi-sourcing, and open power/cooling architectures reduce scarcity pricing; Electrical Americas growth drops toward mid-single digits and its margin settles near 24%-25%, while Boyd's cold plates become customer-specified, dual-sourced hardware rather than a proprietary cross-selling platform. Gross debt of $20.611 billion constrains buybacks and keeps statutory interest and amortization elevated just as the market stops capitalizing adjusted EPS. The validating anchor is Electrical Americas margin below 25% alongside slowing orders or book-to-bill below one-not an economic collapse, merely proof that current high-20s economics were cyclical.

4. Cross-examination of management commentary

“Demand remains incredibly robust. We are winning like never before, and the order and the backlog growth supports that.” Paulo Ruiz, Q1 FY2026 call, as reproduced in `data_package.md` Section 6. The skeptical response is that backlog proves demand exceeded shipments, not that Eaton earned structurally higher share or returns. Electrical Americas orders rose 41% and backlog 33% in Q2, but ABB Electrification orders rose 58% and backlog 59% in the same broad cycle. “Winning” may mean participating in a market-wide capacity shortage. If the claim is overstated, the first evidence will be order growth converging sharply toward revenue growth, book-to-bill falling below one, lead times shortening, and margin failing to recover despite strong shipments.

“The investments we are making over $1 billion in CapEx are at record scale for us, but well within our capability to navigate.” Paulo Ruiz, Q1 FY2026 call, reproduced in Section 6. The statement overpromises because capability is not the same as return. Twenty-plus ramp projects expose Eaton to labor, supplier qualification, commissioning, scrap, freight, depreciation, and customer-release timing at once. The Q1 margin fall to 25.6% was the first visible cost. If management is wrong, revenue can remain healthy while segment profit lags: the earliest warning is Electrical Americas organic growth above 10% with margin unable to hold 27%, followed by margin compression as utilization fails to absorb the new fixed cost.

The transaction will be accretive to Eaton's organic-growth and margin profile upon closing. Q2 FY2026 filed release, Mobility commentary in Section 6. This is mathematically true if a slower, lower-margin segment is removed; it is not proof that value is created. Mobility revenue contracted 9.9% in FY2025, its TTM margin was 13.2%, and eMobility was recently loss-making. Removing it mechanically improves reported mix even if the distributed Dana security is worth less than assumed, tax leakage emerges, Eaton retains stranded costs, or the combined company struggles. If the statement is economically overpromising, the first evidence will be final RMT documents showing a lower distributed share value, higher debt or tax burden, or material retained corporate costs-not a failure of continuing-Eaton organic growth.

Management's Boyd framing deserves the same skepticism. Boyd contributed $524 million of H1 sales and $121 million of segment profit after closing, and combined with Ultra PCS the acquired segment margin was approximately 23.9%. That is a good operating margin, not acquisition return. Eaton paid $9.55 billion net for Boyd and $1.53 billion for Ultra, gross debt increased from $9.895 billion at FY2025 to $20.611 billion at Q2, and no acquisition-inclusive ROIIC exists. Management's claimed return above cost of capital cannot be credited until post-amortization, post-integration cash return is observable. The audit correctly gives acquisition discipline 0/2.

5. Stage 5 tie-out reverification

The **recency anchor ties**. The TTM comprises Q3 FY2025 through Q2 FY2026, and the interim bridge of FY2025 less H1 FY2025 plus H1 FY2026 reproduces $30.026 billion revenue and $5.316 billion statutory operating income. The first-forward-year continuing-revenue step of about 12.54% is not obviously stale against Q2 group organic growth of 14% and raised FY2026 organic-growth guidance of 11%-13%. Electrical Global's first-year jump is also transparently driven by partial-to-full Boyd ownership rather than mislabeled organic growth. The problem is therefore not stale revenue data; it is assuming current order intensity converts without a later utilization and price penalty.

The **share-count path is arithmetically correct but economically underwritten backward**. Base spends $5.25 billion on repurchases from 2028-2031 at assumed average prices of $450, $480, $510, and $540 while current net debt is $19.916 billion and the 2026 program is suspended. That is not valuation discipline; it assumes Eaton buys progressively more expensive stock after a debt-funded acquisition. If base buybacks never restart but modeled equity issuance occurs, 2031 shares would be about 390.716 million rather than 380.263 million and EPS would be approximately $16.54, about $0.46 below base. The larger concern is cash competition: the same free cash flow is implicitly needed for debt reduction, dividends, capacity, R&D, and repurchases.

No modeled product CAGR visibly exceeds a cited peer deceleration pattern without explanation. Electrical Americas Systems at 9.2% is below its recent 18.7%; Boyd at 9% is below the cited Legrand data-center comparable of 13%; and Electrical Global's 8.67% reported CAGR explicitly includes acquisition normalization. That check passes. It does not validate the margins. Boyd's base path to $2.505 billion revenue and 24.5% segment margin assumes liquid cooling remains differentiated, cross-selling works, and customer architectures do not standardize. Eaton discloses neither Boyd product mix, customer concentration, win rates, nor synergy dollars. Vertiv, Schneider, ABB, nVent, Legrand, and specialists are all investing. The forecast has a named structural reason-AI density-but lacks evidence Eaton retains the economics.

Aerospace is less fragile on growth but not immune on mix. Its base 7.02% CAGR is below the 11.6% FY2023-FY2025 rate and current book-to-bill is 1.2, so the volume case is not the obvious overreach. The optimistic element is the rise from a 24.80% TTM margin to 26.18% when the latest Q2 margin was only 22.8%. Aftermarket mix can support the endpoint, but airframer delays, acquired Ultra PCS integration, or weaker spares pricing would remove the assumed 138 basis points of expansion. This does not displace Electrical Americas as the principal break; it shows that the other high-quality segment is not a free offset.

Mobility is treated without double counting, but **$12 per share of base distributed-security value is still an unsupported placeholder**. The model correctly removes Mobility operating profit from continuing Eaton and counts the $1.1 billion receipt only in debt paths. Yet final allocation, debt transfer, tax leakage, stranded costs, and exchange-versus-pro-rata mechanics are unfiled. A $12 base value adds $4.67 billion across the starting 389.4 million shares, close to the announced $5.1 billion cash-free/debt-free value but before determining what liabilities and dilution Eaton holders actually receive. It is bounded, not proven.

6. Score-derived 20% return claim most likely to be wrong

The audited score already says the 20% case **does not clear**, and the red team agrees. The audited scores are **52/100**, **51/80**, and **1/20**. Gross local-currency IRRs are **-13.78% bear, 1.34% base, and 10.57% bull**, with **25%/55%/20%** probabilities and a correctly calculated **0.74%** CAGR of probability-weighted terminal wealth. Even the bull does not reach 20%.

The score-derived return claim most likely to be wrong is actually the modestly positive **1.34% base IRR** and the surviving one point for “cash returns help.” Base terminal continuing value is $407.77 because the model applies a **24x exit P/E** to $16.99 statutory EPS, then adds $24 of dividends and $12 of Mobility value. Twenty-four times is not a conservative terminal multiple for a company whose modeled continuing revenue growth has decelerated to 8.18%, whose acquisition-inclusive ROIIC is unknown, and whose largest margin pool may be normalizing. At 18x, with the same generous $36 of cumulative dividends plus Mobility value, terminal wealth falls to about $341.82 and base IRR becomes approximately **-3.81%**. Thus the 24x multiple does most of the work required merely to avoid a loss.

To make a 20% return plausible without changing the entry price, base terminal P/E would have to reach **58.69x** after the modeled distributions. Alternatively, the audited probability-weighted maximum purchase price for a 20% five-year return is **$173.11**, 58.31% below $415.20. No plausible buyback, Mobility distribution, or amortization runoff bridges that gap. The 20% failure is robust; the positive base return is not.

7. The signal that forces an exit

The quantitative exit signal is **Electrical Americas Segment operating profit (loss) margin below 25.0% for two consecutive reported quarters by Q2 FY2027**. This uses the next four quarters to allow current price actions and capacity ramps time to work; it is not a one-quarter weather or start-up trigger. The 25% level is already close to the model's bear economics and the moat appendix's normalization threshold. If Eaton cannot hold 25% after backlog conversion while demand remains structurally favorable, then the base 28.75% terminal margin, the 30% Systems allocation, and the thesis that scale absorbs new capacity are invalid. Do not excuse the signal with adjusted EPS if statutory amortization, integration, or interest also remain elevated.

Secondary diagnostics-book-to-bill below 1.0, backlog decline, or price/cost turning negative-would explain the mechanism, but they are not required for the margin signal to be decisive. The thesis is priced on durable economics, not merely revenue visibility.

8. Conviction at the end of red team

Thesis does NOT survive this red team at the current security price. The operating franchise can remain good: demand is real, the statutory model ties, and Electrical/Aerospace assets are defensible. The security thesis fails because the base return is only 1.34% even after assuming a 24x exit, $24 of dividends, $12 of Mobility value, rapid debt reduction, and $5.25 billion of buybacks. The strongest narrative is therefore not “Eaton misses the electrification wave.” It is “Eaton executes reasonably well, but peak-cycle margins, acquisition costs, leverage, and multiple normalization prevent the shareholder from earning an adequate return.”

The synthesis should be rewritten around that asymmetry. Electrical Americas can grow and still disappoint on margin; Boyd can grow and still fail its purchase-price return; Mobility can separate and still deliver less than $12 per Eaton share; and EPS can rise while a 24x terminal multiple contracts. The audited weighted gross return of 0.74% is not a close call. It is the numerical expression of a business that must perform well merely to preserve today's price.

Eaton Corporation plc - Production ER2 Data Package

Information cutoff: **2026-08-02 10:04:05 SGT**. Current anchor: **Q2 FY2026**, TTM ended **2026-06-30**, exact five-year horizon **2031-06-30**. Currency is USD and financial tables are in USD millions unless stated otherwise. This artifact is research-only: `trade_execution_authorized=false`; it carries no trade, broker, portfolio-mutation, message, ranking, or sizing authority.

The quantitative foundation and the QFR-sealed statutory bridge are controlling. This package does not alter `quote_packet.json`, `statutory_bridge.json`, `quant_foundation.md`, or `quant_foundation_review.md`. The verified quote-packet SHA-256 is `de87e41d84b51ab60c3074ba85b035cec205811cfe46370f8b760c4bd0cf01e5`; the verified statutory-bridge SHA-256 is `93a3c2f30d336f1f1455c8b247ac73eeb012e1eb1840cb936ff7edcc7f0af923`.

0a. Industry classification and disclosure inventory

Eaton is a diversified **power-management and engineered-hardware** manufacturer, with electrical equipment, aerospace systems, and mobility components. It is incorporated in Ireland but is a U.S. domestic SEC registrant filing Forms 10-K and 10-Q; fiscal year-end is December 31. Controlling official sources are the [2025 Form 10-K](https://www.sec.gov/Archives/edgar/data/1551182/000155118226000007/etn-20251231.htm), [Q1 2026 Form 10-Q](https://www.sec.gov/Archives/edgar/data/1551182/000155118226000013/etn-20260331.htm), [Q2 2026 Form 10-Q](https://www.sec.gov/Archives/edgar/data/1551182/000155118226000030/etn-20260630.htm), [Q2 2026 filed earnings release](https://www.sec.gov/Archives/edgar/data/1551182/000155118226000027/etn06302026exhibit99.htm), Eaton earnings presentations, and the [2025 Investor Conference overview](https://www.eaton.com/content/dam/eaton/company/investor-relations/financial-reports/aic-2025/eaton-overview-ruiz-2025.pdf).

Live FMP `/stable/` pulls were performed in this run for annual and quarterly income statements, balance sheets, cash flows, key metrics, ratios, and annual/quarterly revenue segmentation. FMP's endpoint labelled `revenue-product-segmentation` returns reportable segments, not product tables, and is incomplete or defective for several important official values. Most importantly, FMP reports Q1 FY2026 Mobility revenue of **$614m**, versus Eaton's official **$766m**; FMP's consolidated segment row is **$7,298m**, versus official consolidated net sales of **$7,451m**. Official values alone control TTM. FMP also reports FY2025 eMobility revenue of $618m versus Eaton's $604m, creating a $15m vendor-versus-official total gap. Both defects are preserved in raw files and excluded from official downstream histories.

The hardware inventory searched the official filings, earnings releases, presentations, and transcripts for: `backlog`, `orders`, `book-to-bill`, `capacity`, `production`, `manufacturing`, `margin`, `data center`, `utility`, `commercial`, `industrial`, `aerospace`, `customer`, `capex`, `acquisition`, `integration`, `Boyd`, `Ultra PCS`, `Fibrebond`, `Mobility`, `separation`, `spin-off`, and `Reverse Morris Trust`. The current Q2 FY2026 FMP transcript endpoint returned an empty array on the initial request and the mandated identical retry. No Q2 call quote has been invented. The filed Q2 release and 10-Q control current results and guidance; the four most recent fully populated live FMP transcripts used for call commentary are Q1 FY2026, Q4 FY2025, Q3 FY2025, and Q2 FY2025, whose returned dates were 2026-05-05, 2026-02-03, 2025-11-04, and 2025-08-05.

Dataset / table family	Official source searched	Search terms or table names	Years available	Included?	If excluded, why	Downstream relevance
Segment economics	2025 10-K; Q1/Q2 2026 10-Q; releases	Business Segment Information; net sales; operating profit	FY2021-FY2025; TTM	Yes	None	Segment models and statutory bridge
Product and channel revenue	2025 10-K Note 3	Products; systems; OEM; aftermarket; commercial	FY2023-FY2025	Yes	Earlier comparable table not in newest filing	Mix and segment growth
Backlog and orders	2025 10-K; 2024 annual report; Q4/Q1 presentations; Q2 release	Backlog; organic customer orders; book-to-bill	FY2021-FY2025; Q2 2026 growth	Yes	Mobility does not report backlog	Demand visibility and cancellation risk
Capacity and footprint	2025 annual report; Q1 2026 presentation; transcripts	Capacity; ramp; manufacturing; capex	2023-2026 plans	Yes	No physical unit-capacity series disclosed	Execution and margin risk
End-market/customer mix	Q1 2026 presentation; 2025 10-K	End Market Growth; customer concentration	FY2025 mix; 2026 assumptions	Yes	Segment-by-customer dollars not disclosed	Concentration and durability
Capital/assets by unit	2022/2025 10-K Note 18; Q2 2026 10-Q Note 15	Identifiable assets; capital expenditures	FY2021-FY2025; H1 2026	Yes	None	ROIC and reinvestment
Acquisitions/integration	2025 10-K; Q1/Q2 2026 10-Q; releases	Boyd; Ultra PCS; Fibrebond; Resilient	2025-H1 2026	Yes	Final synergy realization not yet observable	Organic/acquired growth separation

Dataset / table family	Official source searched	Search terms or table names	Years available	Included?	If excluded, why	Downstream relevance
Mobility separation	Q2 2026 10-Q and release	RMT; split-off; Dana; cash distribution	Current transaction	Yes	Closing remains conditional	Perimeter and stranded-cost modeling

Material industrial/hardware KPI history

KPI family	Granularity	FY2021	FY2022	FY2023	FY2024	FY2025	Latest interim / TTM	Source path
Firm backlog	Electrical sector	$5.0B	$8.2B	$9.5B	$11.8B	$15.3B	Q2 2026 backlog +43% YoY	Q4 2025 presentation; Q2 2026 release
Firm backlog	Aerospace	$2.4B	$2.8B	$3.2B	$3.7B	$4.3B	Q2 2026 backlog +28% YoY	Q4 2025 presentation; Q2 2026 release
Book-to-bill	Electrical businesses	n/d	n/d	n/d	1.1-1.2 by segment	1.0-1.2 by segment	1.2 TTM at Q2 2026	Annual reports; Q2 2026 release
Book-to-bill	Aerospace	n/d	n/d	1.1	1.1	1.1	1.2 TTM at Q2 2026	Annual reports; Q2 2026 release
Capital expenditure	Consolidated	$575m	$598m	$757m	$808m	$919m	$1,016m TTM; FY2026 plan about $1.15B	Live FMP cash flow; filings; Q1 presentation
Segment margin	Electrical Americas	20.6%	22.5%	26.5%	30.2%	29.9%	28.3% TTM	Official segment tables
Segment margin	Electrical Global	18.7%	19.4%	19.3%	18.4%	19.4%	19.5% TTM	Official segment tables
Segment margin	Aerospace	21.9%	23.2%	22.9%	22.9%	23.8%	24.8% TTM	Official segment tables
Segment margin	Mobility	14.4%	13.2%	12.8%	14.3%	13.0%	13.2% TTM	Vehicle + eMobility recast; Q2 2026 10-Q

Segment capital expenditure is also disclosed and was not left at the consolidated level. Mobility below combines the filed Vehicle and eMobility rows before the 2026 recast.

Segment capital expenditure ($m)	FY2021	FY2022	FY2023	FY2024	FY2025	H1 FY2026	Source
Electrical Americas	180	181	309	362	413	170	2022/2025 10-K; Q2 2026 10-Q
Electrical Global	120	151	142	163	249	149	2022/2025 10-K; Q2 2026 10-Q
Aerospace	78	92	97	83	103	39	2022/2025 10-K; Q2 2026 10-Q
Mobility, Vehicle + eMobility	139	147	172	158	103	40	2022/2025 10-K; Q2 2026 10-Q
Corporate	24	28	36	42	52	48	2022/2025 10-K; Q2 2026 10-Q
Consolidated	575	598	757	808	919	446	Official cash-flow and segment tables

The backlog series is a hardware-relevant visibility measure, not contracted revenue. Eaton defines backlog as firm customer orders, but its 10-K warns that many open orders are subject to customer releases. At 2025 year-end, total firm backlog was approximately $19.8B and about 69% was targeted for delivery within twelve months. There is therefore both strong visibility and cancellation/timing risk. Eaton does not disclose a clean unit-capacity, utilization, ASP, or manufacturing-throughput series. Capacity evidence is project-based: approximately $1.5B of North American expansion announcements in 2025, including Virginia data-center power equipment, Texas and South Carolina transformer/regulator capacity, Orchard Park aerospace capacity, and a Dubai engineering/manufacturing center. The Q1 2026 call described more than $1B of capex and an accelerating Americas production ramp; the risk is that capacity-ramp cost precedes revenue and temporarily pressures Electrical Americas margins.

1. Reporting structure and taxonomy

The current reportable segments are:

- **Electrical Americas**: electrical components, power distribution and assemblies, power quality, connectivity, wiring devices, circuit protection, utility equipment, and services primarily produced and sold in North and South America.
- **Electrical Global**: electrical products and services primarily outside the Americas, plus globally sold hazardous-duty equipment, emergency lighting, fire detection, explosion-proof instrumentation, structural support, and cooling products after Boyd Thermal.
- **Aerospace**: fuel, hydraulic, pneumatic, and mission-critical systems for commercial, military, and space markets, plus industrial filtration.
- **Mobility**: the current 2026 segment combining legacy Vehicle and eMobility, covering transmissions, clutches, differentials, engine components, hybrid systems, inverters, converters, circuit protection, controls, and vehicle power distribution.

Current segment	FY2025 revenue	Share of official FY2025 total	TTM 2026-06-30 revenue	Exact modeled profit basis
Electrical Americas	$13,276m	48.4%	$14,467m	Segment operating profit (loss)
Electrical Global	$6,815m	24.8%	$7,916m	Segment operating profit (loss)
Aerospace	$4,249m	15.5%	$4,552m	Segment operating profit (loss)
Mobility	$3,109m	11.3%	$3,092m	Segment operating profit (loss)
Consolidated	$27,448m	100.0%	$30,026m	Statutory bridge below

The reporting structure changed in Q1 FY2026. Eaton combined legacy Vehicle and eMobility into Mobility and recast comparative history in the Q1/Q2 2026 filings. The current four-segment history in this package therefore combines Vehicle and eMobility for FY2021-FY2025. No product-to-segment inference is used. Hydraulics, divested in 2021, appears only as historical/divested context and is excluded from the current projection taxonomy.

Geographic FY2025 revenue was United States $17,122m, Canada $1,083m, Latin America $1,461m, Europe $5,078m, and Asia Pacific $2,704m. The United States was 62.4% of group revenue. No single customer represented more than 10% of net sales in 2025, 2024, or 2023. End-market mix disclosed in the Q1 2026 presentation, measured as a share of FY2025 Eaton sales, was data centers/distributed IT 21%, commercial and institutional 20%, utility 11%, industrial facilities 11%, commercial aerospace 9%, defense aerospace 6%, residential 6%, commercial vehicles 6%, machinery/MOEM 5%, ICE light vehicles 3%, and electric vehicles 2%. This is diversified by named market but still materially exposed to the data-center capital cycle and U.S. electrical spending.

2. Consolidated historicals

Official filing values control when FMP classifications differ. The live FMP annual endpoint reports FY2025 operating income of $5,229m, but Eaton’s statutory statement yields $5,209m; the $20m classification difference is not used in the bridge. FY2025 diluted shares are the official 391.2m annual weighted average rather than FMP’s apparent Q4 carry-forward of 389.5m.

Metric	FY2021	FY2022	FY2023	FY2024	FY2025	Source
Revenue ($B)	19.628	20.752	23.196	24.878	27.448	Live FMP annual; official filing control
Statutory operating income ($B)	2.870	3.241	3.885	4.632	5.209	Official statement; QF reconciliation
Operating margin	14.6%	15.6%	16.7%	18.6%	19.0%	Calculated
Net income ($B)	2.144	2.462	3.223	3.798	4.090	Official statement
Diluted EPS ($)	5.34	6.14	8.02	9.50	10.45	Official statement
Diluted share count (M)	401.6	400.8	401.1	399.4	391.2	Official statement
Capex ($B)	0.575	0.598	0.757	0.808	0.919	Live FMP cash flow; official tie
Free cash flow ($B)	1.588	1.935	2.867	3.519	3.553	OCF less capex
ROIC	9.2%	11.1%	12.9%	15.0%	15.8%	Calculation below

ROIC is calculated as statutory operating income after the effective tax rate divided by average invested capital. Effective tax rates were 25.9%, 15.3%, 15.8%, 16.8%, and 17.0% for FY2021-FY2025. NOPAT was therefore approximately $2,127m, $2,746m, $3,272m, $3,853m, and $4,322m. Invested capital is average beginning/end year shareholders’ equity plus debt

excluding operating-lease liabilities, less cash and short-term investments; corresponding averages were $23,155m, $24,781m, $25,417m, $25,628m, and $27,357m. This measure includes acquired goodwill and is intentionally not an adjusted tangible-capital return.

3. Segment historicals

The exact sealed segment profit basis is **Segment operating profit (loss)**. Eaton sometimes shortens this to “operating profit” in presentation tables; this package retains the sealed label and does not call the measure statutory operating income.

Electrical Americas	FY2021	FY2022	FY2023	FY2024	FY2025	Source
Revenue ($B)	7.242	8.497	10.098	11.436	13.276	Official segment tables
YoY	n/m	17.3%	18.8%	13.3%	16.1%	Calculated
Segment operating profit (loss) ($B)	1.495	1.913	2.675	3.455	3.972	Official segment tables
Margin on exact metric	20.6%	22.5%	26.5%	30.2%	29.9%	Calculated

Electrical Global	FY2021	FY2022	FY2023	FY2024	FY2025	Source
Revenue ($B)	5.516	5.848	6.084	6.248	6.815	Official segment tables
YoY	n/m	6.0%	4.0%	2.7%	9.1%	Calculated
Segment operating profit (loss) ($B)	1.034	1.134	1.176	1.149	1.323	Official segment tables
Margin on exact metric	18.7%	19.4%	19.3%	18.4%	19.4%	Calculated

Aerospace	FY2021	FY2022	FY2023	FY2024	FY2025	Source
Revenue ($B)	2.648	3.039	3.413	3.744	4.249	Official segment tables
YoY	n/m	14.8%	12.3%	9.7%	13.5%	Calculated
Segment operating profit (loss) ($B)	0.580	0.705	0.780	0.859	1.013	Official segment tables
Margin on exact metric	21.9%	23.2%	22.9%	22.9%	23.8%	Calculated

Mobility, recast Vehicle + eMobility	FY2021	FY2022	FY2023	FY2024	FY2025	Source
Revenue ($B)	2.922	3.368	3.601	3.452	3.109	Official/recast segment tables
YoY	n/m	15.3%	6.9%	(4.1%)	(9.9%)	Calculated
Segment operating profit (loss) ($B)	0.420	0.444	0.461	0.495	0.405	Official/recast segment tables
Margin on exact metric	14.4%	13.2%	12.8%	14.3%	13.0%	Calculated

3a. Historical statutory-profit bridge and forecast-driver ledger

Common segment profit basis: **Segment operating profit (loss)**. Reporting currency and scale: USD millions. No corporate/unallocated adjustment sits between the segment sum and the consolidated segment profit metric; the corporate items below are operating bridge adjustments exactly as classified in the sealed packet.

FY2025 ended 2025-12-31

Bridge line	Classification	Value	Source ID	Running subtotal
Electrical Americas	segment profit	3,972	ETN_2025_10K	3,972
Electrical Global	segment profit	1,323	ETN_2025_10K	5,295
Aerospace	segment profit	1,013	ETN_2025_10K	6,308
Mobility	segment profit	405	ETN_2025_10K	6,713
Sum of reportable segment profit	segment profit	6,713	ETN_2025_10K	6,713
Consolidated segment profit metric	subtotal	6,713	ETN_2025_10K	6,713
Intangible asset amortization expense	operating	(486)	ETN_2025_10K	6,227
Restructuring program charges	operating	(133)	ETN_2025_10K	6,094

Bridge line	Classification	Value	Source ID	Running subtotal
Other expense - net (operating-classified component)	operating	(885)	ETN_2025_10K	5,209
Statutory operating income	statutory subtotal	5,209	ETN_2025_10K	5,209
Interest expense - net	interest	(241)	ETN_2025_10K	4,968
Other expense (income) - net	other_non_operating	(37)	ETN_2025_10K	4,931
Pretax income	statutory subtotal	4,932	ETN_2025_10K	4,932
Income tax expense	tax	(841)	ETN_2025_10K	4,091
Net income	statutory subtotal	4,090	ETN_2025_10K	4,090

The +$1m pretax and -$1m net-income residuals are sealed issuer rounding within the $3.3565m tolerance. They are not plugs.

TTM ended 2026-06-30 = FY2025 - H1 FY2025 + H1 FY2026

Bridge line	Classification	Value	Source ID	Running subtotal
Electrical Americas	segment profit	4,091	ETN_2026_Q2_10Q	4,091
Electrical Global	segment profit	1,543	ETN_2026_Q2_10Q	5,634
Aerospace	segment profit	1,129	ETN_2026_Q2_10Q	6,763
Mobility	segment profit	409	ETN_2026_Q2_10Q	7,172
Sum of reportable segment profit	segment profit	7,172	ETN_2026_Q2_10Q	7,172
Consolidated segment profit metric	subtotal	7,172	ETN_2026_Q2_10Q	7,172
Intangible asset amortization expense	operating	(646)	ETN_2026_Q2_10Q	6,526
Restructuring program charges	operating	(153)	ETN_2026_Q2_10Q	6,373
Other expense - net (operating-classified component)	operating	(1,057)	ETN_2026_Q2_10Q	5,316
Statutory operating income	statutory subtotal	5,316	ETN_2026_Q2_10Q	5,316
Interest expense - net	interest	(445)	ETN_2026_Q2_10Q	4,871
Other expense (income) - net	other_non_operating	(53)	ETN_2026_Q2_10Q	4,818
Pretax income	statutory subtotal	4,820	ETN_2026_Q2_10Q	4,820
Income tax expense	tax	(987)	ETN_2026_Q2_10Q	3,833
Net income	statutory subtotal	3,833	ETN_2026_Q2_10Q	3,833

The +$2m pretax residual is sealed issuer rounding within the $3.586m tolerance. No FMP Q1 FY2026 Mobility value enters this TTM schedule.

Historical bridge line	FY2025 value	TTM value	Forecast treatment	Driver and source	Bear / base / bull rule
Intangible asset amortization expense	(486)	(646)	Independent amortization schedule	Disclosed finite-life intangibles and acquisition additions	Bear slower runoff/new M&A; base disclosed runoff plus closed deals; bull faster runoff/no new deal
Restructuring program charges	(133)	(153)	Fixed program schedule	Filed multi-year restructuring charges and savings	Bear extended charges; base disclosed program; bull earlier cessation only with evidence
Other expense - net (operating-classified component)	(885)	(1,057)	Percentage of segment profit, cross-checked to components	Corporate other expense, pension income, and statutory below-line split	Bear high TTM ratio; base normalize FY/TTM range; bull lower ratio only with realized integration
Interest expense - net	(241)	(445)	Debt and coupon schedule	Filed debt, Boyd/Ultra financing, and expected Mobility cash distribution	Bear debt stays high; base scheduled repayment; bull faster deleveraging

Historical bridge line	FY2025 value	TTM value	Forecast treatment	Driver and source	Bear / base / bull rule
Other expense (income) - net	(37)	(53)	Fixed amount / explicit item schedule	Statutory non-operating line	Bear recurring expense; base recent average; bull zero only after documented cessation
Income tax expense	(841)	(987)	Effective tax-rate schedule	FY2025 17.1%; TTM 20.5%	Bear higher normalized rate; base guided/normalized rate; bull lower only with sourced jurisdiction mix

STATUTORY_BRIDGE_STATUS: VERIFIED - CLEARED FOR FORECASTING

4. Product and sub-segment historicals

Eaton separately discloses dollars by line of business or channel, not by named equipment product. The finest official dollar series is below. No dollar values are invented for data-center products, transformers, UPS, switchgear, cooling, fuel systems, or vehicle power electronics.

Segment	Product/channel	What it is	Dollar disclosure?	Last three years revenue and source
Electrical Americas	Products	Standalone components and products	Yes	FY2023 $2,949m; FY2024 $3,009m; FY2025 $3,205m; 2025 10-K Note 3
Electrical Americas	Systems	Assemblies, distribution, power quality, services	Yes	FY2023 $7,149m; FY2024 $8,426m; FY2025 $10,070m; 2025 10-K Note 3
Electrical Global	Products	Electrical and industrial components	Yes	FY2023 $3,462m; FY2024 $3,493m; FY2025 $3,885m; 2025 10-K Note 3
Electrical Global	Systems	Power distribution, power quality, and services	Yes	FY2023 $2,622m; FY2024 $2,755m; FY2025 $2,930m; 2025 10-K Note 3
Aerospace	OEM	Commercial and military original equipment	Yes	FY2023 $1,350m; FY2024 $1,500m; FY2025 $1,640m; 2025 10-K Note 3
Aerospace	Aftermarket	Commercial and military replacement/service	Yes	FY2023 $1,183m; FY2024 $1,312m; FY2025 $1,553m; 2025 10-K Note 3
Aerospace	Industrial and Other	Industrial filtration and other	Yes	FY2023 $878m; FY2024 $931m; FY2025 $1,055m; 2025 10-K Note 3
Mobility	Commercial vehicles	Legacy Vehicle commercial channel	Yes	FY2023 $1,784m; FY2024 $1,707m; FY2025 $1,448m; 2025 10-K Note 3
Mobility	Passenger and light duty	Legacy Vehicle light-duty channel	Yes	FY2023 $1,180m; FY2024 $1,083m; FY2025 $1,056m; 2025 10-K Note 3
Mobility	eMobility	Electrified powertrain and distribution products	Yes	FY2023 $636m; FY2024 $662m; FY2025 $604m; 2025 10-K Note 3

Segment	Product/end market	Disclosure method	Last four reported quarters YoY growth	Source
Electrical Americas	Data centers	Growth only, no dollars	Q2 2025 about +50%; Q3 2025 about +40%; Q4 2025 above +40%; Q1 2026 about +50%	FMP live transcripts; Q1 presentation
Electrical Americas	Data-center orders	Growth only, no dollars	Q2 2025 about +55%; Q3 2025 about +70%; Q4 2025 about +200%; Q1 2026 about +240%	FMP live transcripts; Q1 presentation
Electrical Global	Data centers	Qualitative plus order/backlog indicators	Strength in all four calls; Q2 2026 orders +33% total segment	Calls and filed Q2 release
Aerospace	Orders	Rolling-12-month growth	Q2 2025 +10%; Q3 2025 +11%; Q4 2025 +11%; Q1 2026 +13%	Transcripts and releases

Segment	Product/end market	Disclosure method	Last four reported quarters YoY growth	Source
Mobility	Vehicle/eMobility	Growth only after 2026 recast	Q2 2025 Vehicle (8%) / eMobility (4%); Q3 (9%) / (19%); Q4 Vehicle (13%) / eMobility (15%); Q1 2026 Mobility organic (6%)	Transcripts and Q1 presentation

No back-solved product dollars are included. Boyd Thermal's 2025 sales of $1.1B and FY2026 expected sales of $1.7B are acquired-company disclosures, not Eaton historical segment revenue before acquisition.

5. Most recent quarterly trend

Eaton's fiscal year ends December 31. Most recently completed fiscal quarter at the cutoff: Q2 FY2026, covering April-June 2026; both the [8-K earnings release](https://www.sec.gov/Archives/edgar/data/1551182/000155118226000027/etn06302026exhibit99.htm) and [Form 10-Q](https://www.sec.gov/Archives/edgar/data/1551182/000155118226000030/etn-20260630.htm) were filed on 2026-07-31.

Quarterly figures below use current four-segment presentation. Q4 FY2025 values are exact FY2025 less official Q1-Q3 components; they are tagged derived rather than standalone disclosed. The official Q1 FY2026 Mobility value is used.

Segment / quarter	Revenue ($B)	YoY	Segment operating margin	Orders / backlog indicator	Source
Electrical Americas Q3 2025	3.410	15%	30.3%	Orders +7%; backlog +20%	Q3 presentation
Electrical Americas Q4 2025	3.506	21%	29.9% derived	Orders +16%; backlog +31%	FY less 9M; Q4 call/release
Electrical Americas Q1 2026	3.600	20%	25.6%	Orders +42%; backlog +44%	Q1 presentation/release
Electrical Americas Q2 2026	3.951	18% organic	27.5%	Orders +41%; backlog +33%	Q2 filed release
Electrical Global Q3 2025	1.724	10%	19.1%	Book-to-bill above 1	Q3 presentation
Electrical Global Q4 2025	1.728	10%	19.7% derived	Orders +6%; backlog +19%	FY less 9M; Q4 transcript
Electrical Global Q1 2026	1.945	21%	19.2%	Orders +13%; backlog +73%	Q1 presentation/release
Electrical Global Q2 2026	2.517	44%	19.8%	Orders +33%; backlog +103%	Q2 filed release
Aerospace Q3 2025	1.079	14%	25.9%	Orders +11%; backlog +15%	Q3 presentation
Aerospace Q4 2025	1.111	20%	24.0% derived	Orders +11%; backlog +16%	FY less 9M; Q4 transcript
Aerospace Q1 2026	1.139	16%	26.7%	Orders +13%; backlog +28%	Q1 presentation/release
Aerospace Q2 2026	1.222	13%	22.8%	Orders +17%; backlog +28%	Q2 filed release
Mobility Q3 2025	0.775	about (10%)	13.5% combined	Vehicle and eMobility both declined	Q3 presentation; recast sum
Mobility Q4 2025	0.696	about (12%)	15.2% derived	Cyclical light/truck weakness	FY less 9M; Q4 transcript
Mobility Q1 2026	0.766	(2%)	11.7%	Organic sales (6%)	Official Q1 filing/presentation
Mobility Q2 2026	0.841	flat total; organic (2%)	13.0%	No backlog KPI disclosed	Q2 filed release

At Q2 2026 the group raised full-year organic-growth guidance to 11-13%, retained segment-margin guidance of 24.1-24.5%, guided statutory EPS to $10.36-$10.56, and raised adjusted EPS to $13.40-$13.60. Q3 guidance was organic growth 13.5-15.5%, segment margins 24.6-25.0%, statutory EPS $2.77-$2.87, and adjusted EPS $3.46-$3.56. The divergence between statutory and adjusted EPS is materially widened by acquisition/divestiture costs and intangible amortization; forecasts must preserve the sealed bridge rather than capitalize on adjusted EPS alone.

6. Management commentary on forward growth

Electrical Americas

- **Q2 FY2026 release, 2026-07-31, Paulo Ruiz, CEO:** "Our focus on disciplined execution led to sequential margin expansion, especially in Electrical Americas." Interpretation: the Q1 margin trough thesis improved sequentially, but Q2's 27.5% remained below the 29-30% 2025 run rate.
- **Q1 FY2026 call, 2026-05-05, Paulo Ruiz, CEO:** "Demand remains incredibly robust. We are winning like never before, and the order and the backlog growth supports that." Interpretation: demand visibility is unusually strong; order quality and delivery timing still require monitoring.

- **Q1 FY2026 call, 2026-05-05, Paulo Ruiz:** “The investments we are making over $1 billion in CapEx are at record scale for us, but well within our capability to navigate.” Interpretation: capacity is the primary volume unlock and the primary execution risk.
- **Q4 FY2025 call, 2026-02-03, Paulo Ruiz:** “We’ve already announced investments around $1.5 billion to strategically expand capacity.” Interpretation: capital intensity is rising before full revenue conversion.
- **Q3 FY2025 call, 2025-11-04, Olivier Leonetti, CFO:** “Organic sales growth of 9% was driven primarily by strength in data centers, up about 40%.” Interpretation: data-center mix remains the dominant growth driver.
- **Q2 FY2025 call, 2025-08-05, Olivier Leonetti:** “Organic sales growth of 12% was driven primarily by strength in data centers, up about 50%, along with strength in commercial and institutional end markets.” Interpretation: growth was broad enough to include C&I, but data centers were still outsized.

Electrical Global

- **Q2 FY2026 filed release:** segment sales grew 44%, comprising 18% organic growth, 25% Boyd Thermal contribution, and 1% FX. Interpretation: models must separate acquisition from organic growth and include integration/amortization effects.
- **Q1 FY2026 release, 2026-05-05, Paulo Ruiz:** “Electrical Global also continues to outperform.” Interpretation: Global entered 2026 with both organic and acquired growth and margin improvement.
- **Q4 FY2025 call, Olivier Leonetti:** “Total growth of 10% included organic growth of 6%, a very strong performance for the quarter.” Interpretation: pre-Boyd organic momentum was already above the older mid-single-digit profile.
- **Q4 FY2025 call, Olivier Leonetti:** “Backlog increased 19% from the prior year, while book-to-bill remained above one on a rolling twelve-month basis.” Interpretation: demand exceeded shipment conversion before the Q2 2026 Boyd step-up.
- **Q3 FY2025 call, Olivier Leonetti:** “We have strength in data center, residential, commercial and institutional and machine OEM.” Interpretation: Global’s end-market breadth is better than a pure data-center narrative.
- **Q2 FY2025 call, Olivier Leonetti:** “We saw continued strength in APAC, posting double-digit organic growth and ongoing recovery in EMEA.” Interpretation: regional normalization and data centers both supported growth.

Aerospace

- **Q2 FY2026 release:** rolling-12-month orders rose 17%, backlog rose 28%, and book-to-bill increased to 1.2. Interpretation: commercial/defense demand and the Ultra PCS perimeter support growth, though Q2 margin fell sequentially from a gain-assisted Q1.
- **Q1 FY2026 call, Paulo Ruiz:** “Rolling 12-month orders are up in all businesses, 42% in Electrical Americas and 13% in both Electrical Global and Aerospace.” Interpretation: Aerospace’s demand accelerated from the 10-11% 2025 run rate.
- **Q4 FY2025 call, Olivier Leonetti:** “Organic sales growth of 20% remained at a high level and resulted in quarterly record sales, with broad-based strength across all markets.” Interpretation: growth was not confined to one aerospace channel.
- **Q3 FY2025 call, Olivier Leonetti:** “Operating margin expanded by 150 basis points to 25.9%, driven primarily by sales growth.” Interpretation: incremental margins can be strong when volumes convert, but quarter-to-quarter mix matters.
- **Q2 FY2025 call, Paulo Ruiz:** “This acquisition strengthens our position in the fast-growing next-generation aerospace and defense markets.” Interpretation: Ultra PCS is intended to shift mix toward mission-critical defense content.
- **2025 Investor Conference:** management highlighted “record commercial aircraft backlog” as a generational growth support. Interpretation: customer production ramps and supply-chain constraints determine Eaton’s conversion rate.

Mobility

- **Q2 FY2026 filed release:** the RMT transaction is expected to close in Q1 2027 and be accretive to Eaton’s organic-growth and margin profile upon closing. Interpretation: the segment is economically in the forecast base but not in the terminal perimeter if the deal closes.

- **Q1 FY2026 release, Paulo Ruiz:** “Mobility delivered solid operational performance in a challenging market, and we remain on track toward its Q1 2027 planned spin-off into an independent, publicly traded company.” Interpretation: this statement preceded the Dana RMT agreement; the timing remained unchanged but structure evolved.
- **Q4 FY2025 call, Paulo Ruiz:** “For mobility, this move will allow the team to build on its strong leadership position in automotive and commercial vehicle markets.” Interpretation: management argues strategic independence rather than distress, but the segment’s organic growth was negative.
- **Q3 FY2025 call, Olivier Leonetti:** “In the quarter, the business declined by 9% on an organic basis, primarily driven by weaknesses in the North America truck and light vehicle markets.” Interpretation: Mobility remains cyclical and end-market exposed.
- **Q2 FY2025 call, Olivier Leonetti:** “Despite top line weaknesses, the team managed to deliver solid margins of 17%.” Interpretation: legacy Vehicle retained profitability despite lower volume, while eMobility was loss-making.
- **Q2 FY2025 call, Olivier Leonetti:** “Revenue decreased 4% from 7% lower organic, partially offset by 3% favorable FX. Operating loss was $10 million.” Interpretation: eMobility’s path to stand-alone profitability remained unresolved before the 2026 recast.

2025 Investor Conference frame

The March 11, 2025 presentation described “speed, scale and density of data center deployment,” “grid resiliency and distributed power management,” an “unprecedented backlog of megaprojects,” and “record commercial aircraft backlog.” Its 2030 strategy was Lead, Invest, and Execute: customer-centric speed, investment in high-growth/high-margin markets, and best-in-class execution. Those claims are directional strategic aspirations, not substitute forecasts. Downstream models should anchor to current orders/backlog, capacity schedules, acquisition perimeter, and the statutory bridge.

7. Capital allocation history

M&A is net cash paid for acquisitions from the cash-flow statement; negative values in FY2023-FY2024 indicate net proceeds rather than spending. Capex rose from 2.9% of sales in FY2021 to 3.3% in FY2025 and is expected near $1.15B in FY2026. The June 2026 Mobility RMT is expected to deliver an approximately $1.1B pre-close cash distribution, intended for uses including debt repayment.

Year	Capex ($B)	Capex / revenue	R&D ($B)	R&D / revenue	Buybacks ($B)	Dividends ($B)	Net M&A cash paid ($B)	Source
FY2021	0.575	2.9%	0.616	3.1%	0.122	1.219	1.495	Live FMP statements
FY2022	0.598	2.9%	0.665	3.2%	0.286	1.299	0.621	Live FMP statements
FY2023	0.757	3.3%	0.754	3.3%	0.000	1.379	(0.074)	Live FMP; official filing tie
FY2024	0.808	3.2%	0.794	3.2%	2.492	1.500	(0.035)	Live FMP; official filing tie
FY2025	0.919	3.3%	0.796	2.9%	1.862	1.626	1.410	Live FMP; official filing tie

The FY2026 balance sheet changed materially after approximately $11B of acquisitions closed in Q1, including Boyd Thermal and Ultra PCS. At Q2 2026, gross debt excluding operating leases was $20.611B, versus $9.895B at FY2025, and interest expense accelerated. Integration and retention costs are material: the Q2 filing discloses $263m of H1 2026 acquisition-integration, divestiture, and transaction costs, plus intangible amortization and restructuring. The investment case must distinguish strategic acquired revenue from per-share value after financing and integration.

8. Balance sheet snapshot at FY2025

Item	$B	Source
Cash and equivalents	0.622	2025 10-K / live FMP tie
Short-term investments	0.181	2025 10-K / live FMP tie
Gross debt excluding operating leases	9.895	2025 10-K; sealed QF definition
Net debt after cash and short investments	9.092	Calculated

Item	$B	Source
Net debt / FMP EBITDA	1.53x	$9.092B / $5.947B
Goodwill plus intangible assets	20.823	2025 10-K
Shareholders' equity	19.425	2025 10-K
Tangible book value	(1.398)	Equity less goodwill/intangibles

The FY2025 snapshot predates the Boyd and Ultra PCS closings and is not representative of current leverage. The Q2 2026 balance-sheet control is cash $483m, short investments $212m, gross debt excluding operating leases $20.611B, and net debt $19.916B. TTM FCF was $3.934B. This creates a materially different near-term debt/interest profile from the pre-deal FY2025 snapshot.

9. Recent corporate actions

- **2025-04-01:** Eaton acquired Fibrebond for $1.43B net of cash. Fibrebond adds modular power enclosures and entered Electrical Americas; acquired backlog and retention awards complicate organic/incremental-margin interpretation.
- **2025:** Eaton acquired Resilient Power Systems, adding medium-voltage solid-state transformer technology for high-density data centers, storage, and charging. It is reported in Electrical Americas.
- **2025-11-03:** Eaton announced the Boyd Thermal acquisition. Boyd adds liquid cooling, had disclosed 2025 sales of $1.1B and FY2026 expected sales of $1.7B, and closed in Q1 2026. It is reported in Electrical Global.
- **2026-01:** Eaton closed Ultra PCS, expanding aerospace mission systems and defense exposure. It is reported in Aerospace.
- **2026-01-26:** Eaton announced the planned separation of Mobility, initially as a spin-off targeted for Q1 2027.
- **2026-04-01:** Dave Foster became CFO following Olivier Leonetti's planned transition.
- **2026-06-10:** Eaton signed definitive agreements with Dana for a Reverse Morris Trust. Eaton shareholders are expected to own at least 50.1% of the combined company; Eaton expects an approximately $1.1B pre-close cash distribution. Closing is targeted for Q1 2027, subject to Dana shareholder, regulatory, and customary approvals. If the RMT fails, Eaton still intends a spin-off.
- **2026-07-31:** Eaton reported Q2, raised full-year organic-growth guidance to 11-13%, raised adjusted EPS guidance to $13.40-$13.60, and retained the 24.1-24.5% segment-margin range. Statutory EPS guidance fell versus the initial Q4 outlook because acquisition/divestiture and amortization charges increased.

10. Open data gaps and controls

- **Not fetched / omitted:** FMP's Q2 FY2026 earnings-call transcript endpoint returned an empty array twice. The exact empty responses are archived. Current-quarter guidance and commentary therefore use the filed Q2 release and 10-Q only. No quote is attributed to the Q2 call.
- **True non-disclosure:** Eaton does not provide physical unit production, installed capacity, utilization, ASP, inventory-days by segment, or channel-inventory series. Sources searched: 2025 10-K, Q1/Q2 2026 10-Q, Q1 presentation, Q2 release, 2025 investor conference, and four live transcripts; terms searched included units, capacity, production, utilization, ASP, and inventory.
- **True non-disclosure:** Named equipment product revenue is not separately disclosed. The finest dollar tables are Electrical products/systems, Aerospace OEM/aftermarket/industrial, Vehicle commercial/passenger, and eMobility. Data-center, transformer, switchgear, UPS, cooling, and aerospace-platform revenue is disclosed only through growth or strategic commentary.
- **True non-disclosure:** Mobility backlog, order growth, and book-to-bill are not disclosed as a KPI family. Sources and search terms are documented in Section 0a.
- **Estimated/derived:** Q4 FY2025 current-taxonomy segment values in Section 5 are FY2025 less official Q1-Q3 values. They are arithmetic derivations from disclosed periods, not analyst estimates of economics.

- **Taxonomy boundary:** Mobility is comparable on a combined Vehicle + eMobility basis for FY2021-FY2025 and on Eaton's recast Mobility basis from Q1 FY2026. Standalone Vehicle/eMobility quarterly product trends remain useful context but are not separate current modeled segments.
- **Vendor discrepancy:** Live FMP Q1 FY2026 Mobility $614m and total $7,298m are wrong versus official $766m and $7,451m. Official values exclusively control. Live FMP FY2025 eMobility $618m also differs from official $604m. Neither vendor mismatch is silently corrected in raw files.
- **Acquisition comparability:** Boyd Thermal and Ultra PCS closed in Q1 FY2026. Reported growth, margins, amortization, transaction costs, debt, and interest are not organically comparable with FY2025 without explicit acquisition bridges.
- **Separation uncertainty:** Mobility remains in continuing operations until the RMT closes. The transaction's exact stranded corporate costs, tax leakage, final debt allocation, and pro forma share count are not yet fully disclosed and must not be guessed.

Self-verification record

- Largest-segment latest-quarter headline: live-filed Q2 2026 release confirms Electrical Americas revenue of $3,951m, 18% organic growth, segment operating profit of $1,088m, 27.5% margin, orders +41%, and backlog +33%.
- Load-bearing management quote: the live FMP Q1 FY2026 transcript is dated 2026-05-05 and contains Paulo Ruiz's statement that demand remained "incredibly robust," within the expected call window.
- FY2025 revenue: a fresh FMP `/stable/income-statement?symbol=ETN&period=annual` pull reports $27.448B, exactly tying Eaton's 2025 10-K.

Source provenance, retrieval timestamps, local raw paths, and SHA-256 hashes are recorded in `source_manifest.json`.