VRT gideon lens

Vertiv Holdings Co (NYSE: VRT) — Gideon Lens

Production ER2 | Report ID: `er2-vrt-20260802-pulse140428` **Analysis date:** 2026-08-02 **Price anchor:** USD 241.57 per listed Class A share, NYSE completed close on 2026-07-31 **Financial anchor:** TTM ended 2026-06-30; exact underwriting horizon 2031-06-30, 5.0 years

Verdict: PASS

Scorecard:

Gate	Result	Notes
Management	YELLOW	Strong execution; CEO tenure and acquisition returns remain unproven
Moat	YELLOW	Real systems/service advantage; 2046 durability lacks cycle proof
P/E <= 15 on confident EPS at TTM + 5 calendar years	FAIL	Base-case cushion is -44.68% at USD 241.57
Compounder Score	Audited 53/100	Reject; evidence and valuation do not support dream-investment status
Business Quality Score	Audited 53/80	Quality and runway evidence remains incomplete and cycle-dependent
20% Return UW Score	Audited 0/20	No finite scenario supports 20% returns at today's price

One-line thesis (or reason to pass): Vertiv is a strong AI-infrastructure beneficiary with real integration and service advantages, but its current valuation capitalizes an unproven duration and margin outcome that produces negative base and probability-weighted five-year returns.

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

Measure	Result	Notes
Gross local-currency bear / base / bull IRR	-25.51% / -7.10% / 4.13%	Five-year annualized shareholder return in USD
Probability-weighted gross local-currency IRR	-6.63%	CAGR of USD 171.3943 probability-weighted terminal wealth; weights 25% / 50% / 25%
Return bridge	USD 241.57 -> USD 55.3906 / 167.1924 / 295.8014	2026-06-30 to 2031-06-30; includes terminal value/share and distributions; 393.827m diluted shares; net debt USD 0.5bn / net cash USD 1.0bn / USD 2.5bn; exit EV/NOPAT 14x / 18x / 22x

Gross local-currency underwriting in USD; net-SGD adjustments appear separately in CIO actionability. Scenario probabilities are 25% / 50% / 25%.

Bear-case operating and return bridge

Bear case	Start (2026-06-30)	Horizon (2031-06-30)	CAGR / change	Justification
Revenue	USD 11.48B	USD 13.76B	3.68%	AI-infrastructure demand normalizes and regional growth slows sharply.
Operating margin	18.94%	14.88%	-4.06 pp	Under-absorption and corporate/amortization costs compress statutory margin.
Operating earnings	USD 2.17B	USD 2.05B	-1.21%	Under-absorption and corporate/amortization costs compress statutory margin.
Diluted share count	392.747M	393.827M	0.05%	The frozen model has SBC issuance and zero buybacks.

Bear case	Start (2026-06-30)	Horizon (2031-06-30)	CAGR / change	Justification
EPS	USD 4.4199	USD 3.7919	-3.03%	Cleared statutory EPS declines despite modest revenue growth.
Valuation	55.13x EV/NOPAT	14.0x EV/NOPAT	-41.13x	14x EV/NOPAT is far below today's 55.13x.
Share value	USD 241.57	USD 54.389	-25.74%	Enterprise value plus scenario net cash/debt, divided by terminal shares.
Annual dividend	USD 0.219	USD 0.188	-3.03%	A 4.965% payout ratio is applied to the EPS path.
Dividend yield	0.09%	0.35%	+0.26 pp	Endpoint DPS divided by endpoint share value; unavailable where endpoint DPS was not separately frozen.
Five-year dividends	-	USD 1.002	cumulative	Cumulative cash distributions per share over the exact five-year horizon; no reinvestment benefit.
Total ending value	USD 241.57	USD 55.391	-25.51% 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 11.48B	USD 20.30B	12.07%	Backlog and capacity support growth that decelerates to mature rates.
Operating margin	18.94%	22.17%	+3.23 pp	Factory absorption, service mix and pricing lift statutory margin.
Operating earnings	USD 2.17B	USD 4.50B	15.67%	Factory absorption, service mix and pricing lift statutory margin.
Diluted share count	392.747M	393.827M	0.05%	SBC issuance is not offset by repurchases.
EPS	USD 4.4199	USD 8.9090	15.04%	Cleared statutory EPS reflects all corporate and intangible deductions.
Valuation	55.13x EV/NOPAT	18.0x EV/NOPAT	-37.13x	18x EV/NOPAT is materially below current and recent levels.
Share value	USD 241.57	USD 165.488	-7.28%	Enterprise value plus USD 1B net cash, divided by terminal shares.
Annual dividend	USD 0.219	USD 0.442	15.04%	A constant 4.965% payout ratio follows the EPS path.
Dividend yield	0.09%	0.27%	+0.18 pp	Endpoint DPS divided by endpoint share value; unavailable where endpoint DPS was not separately frozen.
Five-year dividends	-	USD 1.704	cumulative	Cumulative cash distributions per share over the exact five-year horizon; no reinvestment benefit.
Total ending value	USD 241.57	USD 167.193	-7.10% 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 11.48B	USD 25.65B	17.44%	Sustained AI buildout and execution keep regional growth elevated.
Operating margin	18.94%	24.47%	+5.53 pp	High utilization and mix drive simultaneous regional margin gains.
Operating earnings	USD 2.17B	USD 6.28B	23.62%	High utilization and mix drive simultaneous regional margin gains.
Diluted share count	392.747M	393.827M	0.05%	SBC issuance remains; no buyback benefit is assumed.
EPS	USD 4.4199	USD 12.9482	24.00%	Bull EPS requires exceptional revenue and margin execution.
Valuation	55.13x EV/NOPAT	22.0x EV/NOPAT	-33.13x	22x EV/NOPAT still contracts sharply from today's multiple.
Share value	USD 241.57	USD 293.612	3.98%	Enterprise value plus USD 2.5B net cash, divided by terminal shares.
Annual dividend	USD 0.219	USD 0.643	24.00%	A constant 4.965% payout ratio follows the EPS path.
Dividend yield	0.09%	0.22%	+0.13 pp	Endpoint DPS divided by endpoint share value; unavailable where endpoint DPS was not separately frozen.
Five-year dividends	-	USD 2.189	cumulative	Cumulative cash distributions per share over the exact five-year horizon; no reinvestment benefit.
Total ending value	USD 241.57	USD 295.802	4.13% 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	Base net-SGD return is below 8% and downside is unacceptable
Bear / Base / Bull net SGD IRR	-27.04% / -7.43% / 4.79%	Five-year annualized after conservative costs, withholding and FX translation
Probability-weighted net SGD IRR	-6.69%	CAGR of SGD 220.7187 weighted terminal wealth; weights 25% / 50% / 25%
10% mandate hurdle	FAIL	Base and probability-weighted cases are both negative
15% stretch hurdle	FAIL	Even the bull case remains below 5% net SGD
Downside and portfolio fit	FAIL	Security downside fails; portfolio fit is unavailable without portfolio context
Proposed sizing ceiling	none	No sizing authority and no actionable return case

Trade execution authorized: NO

Kill / trigger criteria:

- BUY trigger: price below USD 133.64, the base-case P/E-15 value, only after Management and Moat both upgrade to PASS; price alone is insufficient.
- PASS triggers: Americas Operating profit (loss) margin below 24.0% for two consecutive quarters through Q2 FY2027; Asia Pacific margin below 10.0% for two consecutive quarters; or two consecutive quarters with companywide revenue growth below 10% while inventory exceeds 20% of annualized quarterly sales.

- Upgrade to BUY conditions: a full cycle demonstrates durable systems/service pricing, realized acquisition returns are disclosed and adequate, the 2046 gate upgrades to PASS, and the share price is at or below the governed P/E-15 entry value with a positive cushion.

Research sizing if actionable: none. This research has no sizing or trade authority.

Investment conclusion

Vertiv's operating results are excellent. TTM revenue reached USD 11.480bn, statutory operating income reached USD 2.175bn, and analytical free cash flow reached USD 2.924bn. The company entered the current AI-infrastructure build cycle with an unusually broad portfolio across critical power, thermal management, integrated systems, controls, and field service. Backlog increased from USD 3.191bn in FY2021 to approximately USD 15bn in FY2025. The balance sheet moved to modest net cash before leases. These are not superficial signals: the three-year acquisition-inclusive ROIIC calculation is 49.8%, five-year acquisition-inclusive ROIIC is 26.5%, and recent cash conversion is strong.

The issue is not whether Vertiv is currently winning. It is what today's price requires the company to keep winning after the current capacity build normalizes. At USD 241.57, the equity value is approximately USD 94.9bn and enterprise value approximately USD 94.7bn. The synthesis produces a base TTM+5-year EPS of USD 8.9090. Fifteen times that EPS is USD 133.64, leaving a negative 44.68% valuation cushion. Even the governed bull EPS of USD 12.9482 is below the USD 16.1047 required to justify the current price at 15x. The P/E-15 gate therefore fails without ambiguity.

This valuation failure persists under the separate shareholder-return model. The model does not force all scenarios to 15x earnings. Instead, it uses differentiated exit EV/NOPAT multiples of 14x, 18x, and 22x, along with scenario-specific terminal net cash/debt, diluted shares, and distributions. The bear case ends at USD 54.3888 of equity value per share plus USD 1.0018 of cumulative distributions. The base ends at USD 165.4885 plus USD 1.7039. The bull ends at USD 293.6123 plus USD 2.1890. Those terminal wealth values produce finite gross USD IRRs of -25.5133%, -7.0959%, and 4.1337%. Applying the same 25% / 50% / 25% probabilities to terminal wealth—not to scenario IRRs—gives USD 171.3943 of expected terminal wealth and a -6.6336% annualized return.

The net-SGD diagnostic reaches the same conclusion after an observable starting USD/SGD rate of 1.2818, 0.75% entry and exit friction, 30% withholding on distributions, and terminal FX changes of -8% / 0% / +5% in bear/base/bull. Initial net outlay is SGD 311.9668 per share. Net terminal wealth is SGD 64.4842, SGD 212.0611, and SGD 394.2684, for net-SGD IRRs of -27.0426%, -7.4299%, and 4.7941%. Probability-weighted terminal wealth is SGD 220.7187 and its CAGR is -6.6861%. These are diagnostics rather than personalized tax or broker estimates, but missing portfolio context does not make the security return unknowable.

What the operating model says

The segment models are deliberately asymmetric. Americas is the engine: it represents 65.2% of TTM revenue and 76.6% of modeled segment profit. Its base case compounds revenue at 13.22% to USD 13.921bn and reaches a 29.5% Operating profit (loss) margin. Asia Pacific compounds at approximately 11.1% to USD 3.804bn and reaches 14.5%. EMEA compounds at 8.0% to USD 2.571bn and reaches 22.5%. Together they produce USD 20.296bn of base revenue. The sealed bridge then applies corporate/unallocated items and amortization once, producing USD 4.500bn of statutory operating income and USD 3.509bn of net income.

All 11 synthesis tie-outs pass. The regional forecasts reconcile to the combined model, the segment profit basis remains exactly the issuer's Operating profit (loss), the corporate and operating bridge lines are not double counted, tax and below-line items are separated, diluted shares are explicit, and the quote unit/currency bridges are identity. The model is internally valid. Its unfavorable answer is economic, not a broken spreadsheet.

The red team identifies the base 22.17% statutory operating margin as the most optimistic single Stage 5 number. It requires simultaneous regional margin performance without disclosed units, utilization, customer concentration, or service profitability. A 200-basis-point reduction in the Americas revenue CAGR alone removes approximately USD 0.6337 from horizon EPS. Holding regional margins flat reduces base EPS to approximately USD 8.4057. The strongest observable thesis-break is Americas segment margin below 24% for two consecutive quarters; that would signal that backlog digestion and customer dual-sourcing are eroding the dominant profit pool.

Quality, management, and durability

The Management gate is YELLOW. Execution, incentives, guidance discipline, and operating improvement are credible. However, the current CEO's tenure is short relative to a 20-year underwriting horizon, and realized returns from the acquisition program are not disclosed with enough precision to earn PASS. The Moat and 2046 gates are also YELLOW. Vertiv benefits from high-trust procurement, qualification, installed-base switching friction, integrated power/thermal engineering, and approximately 5,300 field service engineers. Those advantages are strongest in Americas and credible in EMEA, but APAC economics are weaker. Standardized rack architectures, hyperscaler dual-sourcing, and competing capacity could move profit away from Vertiv even while the AI infrastructure market grows.

The audited compounder score is 53/100: 53/80 for business quality and 0/20 for return underwriting. The audit preserved the finite return bridge but reduced unsupported points for unit economics, runway repeatability, customer stickiness, dilution conservatism, and realized acquisition returns. The score is diagnostic; it does not override the three ER2 gates. Here, the formal verdict is already PASS because valuation FAILS and both qualitative gates are YELLOW.

What changes the conclusion

The most useful next evidence is not another upward revision to the AI market-size estimate. It is proof that Vertiv retains economics after the cycle matures. That means Americas margin staying above 24% during order normalization, APAC margin holding above 10%, service attachment and profitability becoming visible, acquisition cohorts producing disclosed returns, and inventory converting to cash without a working-capital reversal. If those facts upgrade Management and Moat to PASS, the governed base P/E-15 value is USD 133.64. A materially lower entry may also improve the shareholder-return case: the compounder model estimates approximately USD 67.19 as the base-case maximum price for a 20% five-year gross USD IRR under its conservative exit assumptions.

Until both quality durability and price improve, Vertiv belongs in completed research, not an actionable queue. The company can continue executing well and the share can still deliver inadequate returns from this starting valuation. The correct conclusion is PASS, no size, and no trade authority.

Appendix A - Company Primer

Vertiv Holdings Co (NYSE: VRT) — Company Primer

Research date: 2 August 2026 **Financial anchor:** Q2 FY2026 ended 30 June 2026; TTM ended 30 June 2026 **Exact forward horizon used elsewhere in this ER2:** 30 June 2031 **Reporting currency:** U.S. dollars; financial tables below use USD millions unless stated otherwise

How to read this primer

Vertiv supplies the physical infrastructure that keeps computing and communications equipment powered, cooled, connected, monitored, and available. The most useful mental model is not “an AI company” in the software or semiconductor sense. It is an electrical, thermal, and service systems company whose equipment sits between the utility feed and the servers, network gear, or industrial loads that customers cannot afford to lose. AI is currently an important demand accelerator because high-density computing places more stress on power delivery and heat removal, but the business also serves conventional cloud computing, colocation facilities, enterprise data centers, communications networks, and commercial and industrial installations.

This is an orientation document, not a forecast or valuation. Every financial figure and every derived percentage in it comes from the QFR-cleared `quant_foundation.md`, whose sealed quote-packet SHA-256 is `a812be65b0c6315cc732fee8d1122a9ab250fc5ce666bfaed71f1529e722934e` and sealed statutory-bridge SHA-256 is `c740adfd22f373f6a849bc4ada925c32cdcf7bcb3ab4fbd21a8fdf95838ef433`. The qualitative description is oriented with Vertiv’s live [FY2025 Form 10-K](https://www.sec.gov/Archives/edgar/data/1674101/000167410126000008/vrt-20251231.htm), [Q2 FY2026 Form 10-Q](https://www.sec.gov/Archives/edgar/data/1674101/000162828026050609/vrt-20260630.htm), and [Q2 FY2026 earnings release](https://www.sec.gov/Archives/edgar/data/1674101/000162828026050323/q22026exhibit991vrt07292026.htm). Where the filing discusses non-financial operating facts or strategy, the wording below is paraphrased rather than treated as a forecast.

1. Business overview

Vertiv designs, manufactures, configures, installs, and services critical digital infrastructure. Its core problem is simple to state and difficult to solve: information technology equipment must receive clean, reliable electricity and must remain within safe temperature and humidity ranges, even as workload density changes and components fail. A brief interruption can take a data center, telecom site, factory process, payment system, or other mission-critical application offline. Customers therefore buy resilience, capacity, efficiency, and response capability, not merely a box containing electrical or cooling components.

The portfolio covers the path from incoming power to the rack. Power offerings include uninterruptible power supplies, AC and DC power-management equipment, switchgear, transfer and distribution equipment, busbar, rack power distribution, and energy-storage solutions. Thermal offerings include room-level and row-level cooling, air-cooled and liquid-cooled systems, rack thermal products, and fluid-management capabilities. Vertiv also supplies racks, enclosures, integrated modular solutions, configurable systems, monitoring hardware, and software used to manage IT infrastructure. These components can be sold individually, configured into a larger system, or delivered as part of a staged project.

The service layer extends the relationship beyond initial delivery. It includes commissioning and acceptance testing, preventive maintenance, emergency response, engineering and consulting, performance assessments, remote monitoring, training, spare parts, project management, and specialized fluid management. The filing describes a global network of more than 300 service centers and roughly 5,000 service engineers. That physical presence matters because a customer with a failed power or cooling component needs a qualified technician and the correct spare part at the site, not merely a remote software patch. It also gives Vertiv repeated contact with installed equipment, creating opportunities to identify replacement needs, improve performance, and attach services to new systems.

Vertiv’s roots trace to the Liebert computer-room air-conditioning business, which began in the mid-twentieth century and later became part of Emerson Network Power. Emerson separated that business in 2016; Vertiv became public in 2020 through a business combination. This lineage helps explain the combination of engineered products, field service, local configuration, and long customer relationships. The company is headquartered in Ohio and operates globally.

The customer and the job to be done

The principal end markets are data centers, communications networks, and commercial and industrial facilities. Data-center customers include hyperscale cloud platforms, colocation operators, AI-focused “neocloud” providers, and enterprises operating their own facilities. Communications customers include wireline, wireless, and broadband providers. Commercial and industrial applications include settings such as manufacturing, transportation, utilities, and other sites where power quality and equipment availability affect operations or compliance.

The job differs by customer type. A hyperscaler may require repeatable infrastructure designs deployable across many campuses, while a colocation operator must support different tenant loads and maintain contractual uptime. An AI-focused facility may need much higher rack power and liquid cooling than a conventional enterprise site. A telecom operator may deploy power systems at thousands of dispersed edge locations. An industrial customer may prioritize ruggedness, compatibility with existing electrical systems, and rapid field support. Vertiv’s value proposition is to combine product breadth with application engineering and service coverage so those varied needs can be solved within one coordinated architecture.

How customers buy

The buying process is consultative and often project-based. Vertiv can become involved during planning and design, help specify equipment, configure a solution, manufacture or source components, coordinate delivery, commission the system, and maintain it over its life. The company says its primary route to market is direct sales, supported by approximately 3,000 salespeople. It also uses independent representatives, channel partners, distributors, IT resellers, value-added retailers, and original-equipment manufacturers. The blend matters: direct engagement is suited to large, technically complex projects, while channels extend reach into smaller customers, local markets, and standardized product categories.

This is not a self-serve model. Customer approval cycles, facility construction schedules, testing, and site readiness can determine when revenue appears. Large orders may be phased, rescheduled, or cancelled under contractual terms. Backlog can therefore provide visibility without being equivalent to revenue. The FY2025 filing also notes that much of the order book was expected to ship over the following 12 to 18 months, illustrating both the duration of current demand and the execution burden created by it.

2. Revenue architecture

Vertiv reports three geographic segments rather than product segments. Each region sells broadly similar power, thermal, integrated-system, and service offerings. The geographic structure is economically meaningful because local end-market mix, installed base, labor and manufacturing costs, project execution, pricing, channel structure, and competitive intensity can produce very different regional margins.

FY2025 segment mix

Reportable segment	FY2025 net sales	Share of total	FY2025 segment operating profit	Segment margin
Americas	6,386.3	62.4%	1,714.3	26.8%
Asia Pacific	2,019.2	19.7%	222.1	11.0%
Europe, Middle East & Africa	1,824.4	17.8%	377.4	20.7%
Total / segment sum	**10,229.9**	**100.0%**	**2,313.8**	**22.6%**

Shares of total are calculated from the sealed quantitative foundation. The segment operating-profit sum is not statutory operating income. Vertiv excludes corporate and other costs, foreign-currency gain or loss, and amortization of intangibles from the reported segment measure. For FY2025, those bridge items reduced the segment sum to statutory operating income of 1,829.7. Readers should therefore avoid applying the 22.6% segment-sum margin to consolidated forecasts without rebuilding the bridge.

Americas

The Americas is the largest and most profitable region. It covers North America and Latin America and has especially strong exposure to large data-center builds. Its FY2025 net sales represented 62.4% of the company, up from 56.2% in FY2024 by calculation from the foundation. Net sales grew 41.9% in FY2025, while segment operating margin expanded from 24.4% to 26.8%. For the TTM ended June 2026, Americas net sales reached 7,483.9 and segment operating profit reached 2,131.6, implying a 28.5% segment margin.

Economically, the region currently combines strong demand, scale, product and service mix, and operating leverage. The presence of major hyperscale, colocation, and AI infrastructure customers can support large programs and repeat deployments. It also creates concentration and negotiating risk: sophisticated customers can demand lower prices, tighter delivery commitments, penalties, and more favorable working-capital terms. The Americas should therefore be understood as the current earnings engine, but not as a region whose present growth or margin automatically persists.

Asia Pacific

Asia Pacific includes Greater China, India, and the rest of Asia. It sells a portfolio similar to the Americas, but its economics are materially different. FY2025 net sales were 2,019.2, or 19.7% of total, and segment operating profit was 222.1, an 11.0% margin. Net sales grew 17.5% from FY2024, and margin improved from 10.2%. For the June 2026 TTM, the region produced 2,245.4 of net sales and 280.2 of segment operating profit, a calculated 12.5% margin.

This region offers growth from cloud, data-center, communications, and industrial buildout, but the lower margin indicates less favorable scale, mix, price realization, or cost structure than the other regions. China-related demand and competition, local pricing, currency, and regional supply chains can all matter. The central investor question is not simply whether Asia Pacific grows; it is whether Vertiv can convert growth into sustainably better operating profit without sacrificing market position.

Europe, Middle East & Africa

EMEA also offers the full portfolio across data centers, communications networks, and commercial and industrial markets. FY2025 net sales were 1,824.4, or 17.8% of total, with 377.4 of segment operating profit and a 20.7% margin. Sales increased only 1.7% from FY2024, while margin fell from 24.5%. In the June 2026 TTM, EMEA generated 1,750.3 of net sales and 372.2 of segment operating profit, implying a 21.3% margin.

EMEA illustrates why regional analysis is essential. A region can remain quite profitable even when growth is muted, but project timing, local macro conditions, energy constraints, regulation, and customer mix can cause uneven reported sales. The margin sits well above Asia Pacific but below the current Americas level. Its role in the portfolio is diversification and profitable exposure to data-center and industrial infrastructure outside the United States, not merely a smaller version of the Americas growth story.

Product and service mix

The live FMP product endpoint in the sealed foundation divides revenue into Product and Service. For FY2025, Product revenue was 8,390.6 and Service revenue was 1,839.3, representing 82.0% and 18.0% of total sales, respectively. Over the TTM ended June 2026, the four official-period inputs in the foundation sum to 9,357.4 of Product revenue and 2,122.2 of Service revenue, or 81.5% and 18.5% of total.

Offering	FY2025 revenue	FY2025 mix	TTM June 2026 revenue	TTM mix
Product	8,390.6	82.0%	9,357.4	81.5%
Service	1,839.3	18.0%	2,122.2	18.5%
Total	**10,229.9**	**100.0%**	**11,479.6**	**100.0%**

Product is the dominant revenue source, so Vertiv should not be mistaken for a recurring-revenue service company. Nevertheless, service has strategic importance beyond its revenue share. It can deepen customer relationships, support equipment uptime, reveal refresh opportunities, and make Vertiv's installed base harder to displace. Growth in liquid cooling also expands the need for specialist commissioning and fluid management. The durable question is whether service attachment rises with the installed base and whether it smooths, rather than merely follows, project cycles.

3. Unit economics: how revenue becomes operating profit

The economic chain

A product dollar begins with design and application engineering, then passes through raw materials, purchased components, manufacturing or assembly, testing, freight, local configuration, installation support, warranty, and channel or selling costs. Important physical inputs include electrical components and metals such as copper and aluminum. Gross profit depends on selling price relative to material, labor, freight, tariff, and warranty cost; product mix; plant utilization; supply-chain stability; and execution against the project specification and schedule.

Operating profit then absorbs sales and marketing, engineering and R&D, information technology, regional administration, and other segment expenses. At the consolidated level, corporate costs and intangible amortization are additional deductions. The model has meaningful operating leverage because engineering, facilities, sales coverage, and regional infrastructure do not all rise one-for-one with sales. Strong volume through available capacity can therefore expand margins. The reverse is also true: factory under-absorption, expedited freight, project overruns, or delayed customer sites can hurt profit faster than revenue alone implies.

A service dollar has a different cost profile. It is driven more by skilled labor, technician utilization, travel, spare-parts availability, dispatch efficiency, and contract coverage. Preventive maintenance and stand-ready contracts can be delivered over time, while emergency visits, spare parts, and project work may be more episodic. Service can be attractive because the customer values rapid restoration and equipment knowledge, but it is not frictionless software revenue: Vertiv must recruit, train, schedule, and retain a large technical workforce and maintain local inventory and service coverage.

Regional unit economics

The regional margin spread is the clearest available evidence of differing unit economics. For the June 2026 TTM, calculated segment operating margins were 28.5% in the Americas, 12.5% in Asia Pacific, and 21.3% in EMEA. The same broad portfolio can thus generate more than twice the margin in one region than another. Scale and rapid volume growth appear to support the Americas, while Asia Pacific still has substantial room to improve cost absorption or mix. EMEA’s relatively high margin despite slower growth suggests a mature base and favorable execution or mix, but the historical step-down from FY2024 shows that it is not immune to volatility.

These segment margins are before corporate and other items. On the TTM bridge, reported segment operating profit summed to 2,784.0. Foreign-currency effects and corporate costs reduced that to 2,433.4, and intangible amortization reduced statutory operating income to 2,174.6. Statutory operating margin was therefore 18.9% on TTM sales of 11,479.6. That bridge is important: an investor focusing only on the best regional margin could materially overstate the profit available to shareholders.

Capital intensity and cash conversion

Vertiv is physically capitalized but not currently consuming cash like a heavy process-industry manufacturer. In the June 2026 TTM, it generated 3,354.2 of operating cash flow, spent 424.4 on capital expenditures and 5.8 on capitalized software, and produced 2,924.0 of free cash flow under the foundation’s definition. Free cash flow was 25.5% of sales and 168.8% of net income by calculation. That is strong conversion, although a single TTM period can benefit from working-capital movements and should not be extrapolated mechanically.

The balance sheet shows why working capital needs scrutiny. At June 2026, accounts receivable were 3,750.3 and inventory was 2,522.7. Large projects, advance ordering, supply-chain protection, customer acceptance milestones, and rapid growth can all make cash conversion uneven. Growth can require more inventory and receivables before cash is collected. Conversely, improved collections or customer advances can temporarily lift cash flow. The best unit-economics test is therefore multi-year conversion after normalizing working capital, not merely one strong quarter.

The company ended June 2026 with 2,810.6 of cash, 300.0 of short-term investments, and 2,939.8 of long-term debt, equivalent to net cash of 170.8 before leases. This financial position reduces refinancing pressure and gives room to expand capacity, fund innovation, or acquire adjacent capabilities. It does not remove allocation risk: acquisitions can add intangible amortization, contingent consideration, integration demands, and goodwill, while capacity built into a demand peak can later be underutilized.

4. Historical financial development

The last three completed years show how quickly Vertiv’s earnings model changed. Revenue rose from 6,863.2 in FY2023 to 10,229.9 in FY2025, a calculated two-year compound annual growth rate of 22.1%. Statutory operating income increased much faster, from 872.2 to 1,829.7, while operating margin expanded from 12.7% to 17.9%. Net income rose from 460.2 to 1,332.8, and free cash flow rose from 765.9 to 1,887.4.

Metric	FY2023	FY2024	FY2025	TTM June 2026
Revenue	6,863.2	8,011.8	10,229.9	11,479.6
Statutory operating income	872.2	1,367.4	1,829.7	2,174.6
Statutory operating margin	12.7%	17.1%	17.9%	18.9%

Metric	FY2023	FY2024	FY2025	TTM June 2026
Net income	460.2	495.8	1,332.8	1,732.0
Diluted EPS	1.19	1.28	3.41	4.4199
Free cash flow	765.9	1,135.2	1,887.4	2,924.0

The pattern demonstrates real operating leverage, price-cost improvement, and stronger execution. It also raises the base-rate question that should follow any unusually rapid margin expansion: how much came from durable portfolio and process improvement, and how much came from unusually strong demand, favorable mix, pricing, and capacity utilization? The primer does not answer that question, but it makes clear why future work must separate structural improvement from cycle-sensitive benefit.

The diluted share count is another detail worth retaining. The TTM diluted weighted-average denominator was 391.9 million, versus 384.9 million common shares outstanding at June 2026. That gap reflects dilution that must remain in per-share forecasts. Strong company-level profit growth is not identical to per-share compounding if equity awards or acquisition-related issuance increase the denominator.

5. Competitive structure and sources of advantage

Vertiv competes with global electrical and infrastructure groups such as Schneider Electric, Eaton, Legrand, and Huawei, and with more focused competitors such as Delta Electronics, Stulz, Johnson Controls, and Socomec. Competitive decisions are made on reliability, quality, price, service, customer relationships, product breadth, local support, and ability to deliver at scale. No single advantage should be treated as permanent; large competitors have deep engineering resources, established channels, and broad product bundles.

Vertiv’s potential advantage is the system around the product. A customer can combine power, thermal, rack, monitoring, commissioning, and lifecycle service capabilities from one supplier. Application engineers can work with customers early in a project, and field service can protect uptime after commissioning. Long-lived installed equipment, qualification requirements, the cost of failure, and familiarity with site architecture can create switching friction. A global customer also benefits from a supplier able to deploy similar solutions across regions while retaining local service coverage.

The company’s service network reinforces that system. More than 300 service centers and approximately 5,000 service engineers are costly to replicate and potentially valuable when uptime is critical. The company reports a first-time fix rate above 90% for site emergency visits, a non-financial operating indicator of service capability. Yet the network is an advantage only if technician quality, response time, parts availability, and pricing stay competitive. A large field organization can become an expensive fixed-cost base if utilization falls.

Engineering and execution are equally important. Vertiv develops products globally while adapting them to local market and customer requirements. Its operating system emphasizes lean methods, standard work, performance metrics, and end-to-end order fulfillment. These practices can improve throughput and quality, but they are not a moat by declaration. The evidence must be consistent delivery, stable warranty performance, improving working capital, and margins that survive less favorable demand conditions.

6. Growth engines and what could interrupt them

Power and cooling intensity

Accelerated computing increases both electrical demand and heat density. That creates demand for higher-capacity power distribution, backup systems, switchgear, busway, advanced thermal management, and liquid cooling. Each technology transition can require customers to redesign the infrastructure surrounding IT equipment. Vertiv is positioned across both power and thermal domains, which creates an opportunity to sell coordinated systems rather than isolated components.

The opportunity is not synonymous with unconstrained growth. Data-center projects depend on electricity availability, grid interconnection, permits, water or cooling design, land, construction labor, financing, and community acceptance. A delay anywhere in that chain can push equipment delivery or customer acceptance into a later period. Customers can also change architecture, negotiate harder, dual-source equipment, or shift spending among AI training, inference, and conventional compute.

Installed-base and service expansion

Every new system potentially enlarges the installed base requiring commissioning, maintenance, upgrades, monitoring, spares, and eventual replacement. Liquid systems add specialized fluid-management requirements. If Vertiv attaches service at installation and maintains strong customer satisfaction, the service layer can deepen relationships and partially diversify project-driven revenue. The TTM service mix of 18.5% is meaningful but still secondary; investors should monitor attachment rates and service growth rather than assume an automatic recurring stream.

Geographic margin convergence

Asia Pacific's 12.5% TTM segment margin is far below the Americas' 28.5%. Better scale, mix, pricing, and operating execution could create upside if the gap narrows. It could also remain wide because of structural differences in competition, customer bargaining power, local cost, and product mix. EMEA offers a different test: can Vertiv restore growth without giving up a TTM margin above 20%? Geographic convergence is therefore an opportunity, but forecasting all regions toward the current Americas economics would be aggressive.

Capacity, innovation, and adjacency

Vertiv is expanding capacity to meet demand and investing in product development for changing power architectures and cooling technologies. Correctly timed investment can relieve bottlenecks, shorten lead times, and protect market share. Incorrectly timed investment can leave excess capacity when demand normalizes. Acquisitions can add technology, services, or reach, but they also increase integration complexity and accounting adjustments. Organic and acquired growth should be evaluated separately.

7. Principal business-model risks

- **Demand concentration and project timing.** Large cloud, colocation, neocloud, and communications customers have significant purchasing power. Large, multi-phase projects can move between quarters, and customers may defer or reschedule orders.

- **Execution under rapid growth.** Temporary supply-chain congestion, premium freight, scarce components, site-readiness problems, and commissioning complexity can turn strong demand into late delivery or lower margin. Fixed-price and turnkey work can transfer schedule and cost risk to Vertiv.

- **Technology transitions.** Liquid cooling and alternative power architectures are opportunities, but a competitor that better integrates new designs could displace Vertiv. Existing air-cooling or power products may mature faster than expected.

- **Price-cost and tariff exposure.** Copper, aluminum, electronic components, freight, labor, currency, and tariffs can move faster than contractual pricing. A large backlog can delay the time required for new prices to reach reported results.

- **Regional margin volatility.** The broad gap among Americas, Asia Pacific, and EMEA margins indicates that mix and local execution matter greatly. Consolidated results can become more dependent on the Americas as that region grows faster.

- **Working-capital and capacity absorption.** Receivables and inventory are large. A growth slowdown can trap cash in inventory or leave new factories and service capacity underutilized.

- **Customer and supplier concentration.** Even without a single disclosed dependency in this primer, larger customers can demand better terms, and specialized components can have limited qualified suppliers. Dual sourcing takes time for mission-critical equipment.

- **Quality, warranty, and cyber risk.** Product failure can cause customer downtime, penalties, reputational harm, and future lost business. Connected monitoring products and software also create cybersecurity exposure.

- **Acquisition and capital-allocation risk.** Acquisitions may expand capabilities, but purchase accounting, contingent consideration, integration costs, and goodwill can obscure the underlying return on capital.

- **Per-share dilution.** The diluted share denominator remains above period-end common shares. Per-share value creation must be measured after stock compensation and all other dilution.

8. Investor monitoring dashboard

Question	Evidence to monitor	Why it matters
Is demand converting into revenue?	Organic growth, project timing, cancellations, backlog conversion language	Demand without delivery does not create cash
Is growth profitable?	Regional segment margin and statutory operating margin	Mix and execution determine operating leverage
Is service becoming more important?	Service growth, mix, attachment, field capacity	Indicates installed-base monetization and resilience
Are price and productivity covering inflation?	Price-cost commentary, tariffs, freight, material costs	Protects gross margin on long-cycle orders
Can APAC close part of its margin gap?	APAC margin, mix, cost actions, local competition	Potential upside, but not guaranteed convergence
Can EMEA reaccelerate without margin damage?	EMEA sales growth, project execution, margin	Tests the quality of regional diversification
Is cash conversion durable?	Operating cash flow, inventory, receivables, customer advances	Distinguishes true economics from timing benefit
Is capacity disciplined?	Capital spending, lead times, utilization, delivery performance	Prevents both bottlenecks and overbuilding
Are acquisitions earning their cost?	Organic versus acquired growth, integration, amortization, contingent costs	Protects return on capital and earnings quality
Is per-share compounding intact?	Diluted shares versus shares outstanding	Prevents headline profit from masking dilution

9. Bottom-line mental model

Vertiv is best understood as a global, engineered critical-infrastructure platform with a valuable service overlay. The business earns revenue when customers build, expand, retrofit, or maintain facilities that must deliver reliable power and thermal performance. Products still account for more than four-fifths of revenue, so the company remains exposed to manufacturing, materials, capacity, and project timing. Service improves customer intimacy and lifecycle value, but it does not turn the model into subscription software.

The Americas is currently the dominant growth and profit engine. Asia Pacific provides meaningful growth but operates at a much lower margin, while EMEA is profitable but recently slower. This regional dispersion is more informative than a single consolidated margin because it reveals the roles of scale, mix, pricing, and execution. The statutory bridge must always be respected: regional operating profit excludes corporate items and intangible amortization.

The recent financial trajectory is exceptionally strong. Revenue, statutory operating income, net income, and free cash flow all expanded rapidly from FY2023 through the June 2026 TTM, and the balance sheet moved to modest net cash before leases. That performance is evidence of improved operations and favorable demand, but it also sets a demanding comparison base. A rigorous investor must ask whether current utilization, price-cost, and Americas mix represent a new structural level or a powerful phase of the data-center capital cycle.

The central thesis is therefore not simply “AI spending rises.” It is that Vertiv can repeatedly translate rising power and cooling complexity into profitable, cash-generative systems and services while maintaining technology relevance, delivery quality, and capital discipline. The central bear case is that customers, competitors, supply chains, or project schedules capture more of the economics than current margins imply. Everything downstream in the ER2 should test those two propositions.

Appendix M - Management Assessment

Vertiv Holdings Co — Management Assessment

Assessment date: August 2, 2026 **TTM endpoint:** June 30, 2026 **Explicit forecast horizon:** June 30, 2031 **Management gate: YELLOW**

Executive assessment

Giordano Albertazzi has earned substantial operating credibility in three and a half years as chief executive. He took charge on January 1, 2023, after Vertiv's 2022 supply-chain and pricing trough. Through FY2025, revenue rose from $5.69 billion to $10.23 billion, operating margin expanded from 3.9% to 17.9%, normalized ROIC rose from 3.5% to 19.1%, and analytical free cash flow moved from negative $264 million to positive $1.89 billion. Pricing discipline, the Vertiv Operating System, working-capital repair, capacity investment, and product development all contributed.

The gate is nevertheless **YELLOW**. Albertazzi has not completed five years as CEO or shown a full demand-and-capital cycle. PurgeRite, Great Lakes, and the 2026 bolt-ons are too recent to assess on returns, while CFO Craig Chamberlin has been in his seat only since November 2025. Incentives contain no direct ROIC hurdle, and an active non-independent executive chair and unresolved legacy securities litigation require monitoring. Execution is proven; long-horizon allocation is not.

1. Who is running the company

Executive	Role and tenure	Relevant evidence	Assessment
Giordano Albertazzi	CEO and director since January 1, 2023	Joined predecessor Emerson Network Power in 1998; led EMEA, became Americas president in March 2022, and served as COO from October 2022	Deep company and operating knowledge; strong in-seat results, but only 3.5 years as CEO at the TTM date
Craig Chamberlin	EVP and CFO since November 10, 2025	More than 20 years in finance; prior Wabtec transit CFO and group president/CFO, with earlier GE finance and supply-chain roles	Relevant industrial pedigree; too new to judge forecasting, controls, or allocation through a cycle
Anand Sanghi	President, Americas since July 2023	Runs the largest region, which generated 62.4% of FY2025 sales and about 74% of three-region operating profit	Important operator; 2025 above-cap incentive award is a watch item
Paul Ryan	President, EMEA since January 1, 2026	Previously Vertiv's chief procurement officer from May 2023	Procurement experience fits the operational agenda; regional recovery evidence remains incomplete
Wei Shen	President, Greater China since July 2025	Leads an important but narrower geography than all of Asia-Pacific	Recent appointment; avoid treating this role as president of the entire APAC segment
Scott Armul	Chief Product and Technology Officer since January 1, 2026	Expanded enterprise role over product architecture and technology	Strategically logical as cooling and power systems converge; output is not yet measurable

The design is coherent: experienced operators run the major geographies, while product and technology responsibility has been elevated as Vertiv moves toward integrated power, cooling, and rack-level systems. Albertazzi's 25-plus years in the organization reduce learning risk but create key-person and internal-consensus risks.

The [2026 proxy statement](https://www.sec.gov/Archives/edgar/data/1674101/000119312526174898/d18663ddef14a.htm) identifies nine of eleven director nominees as independent under SEC and NYSE standards. All standing board committees are composed entirely of independent directors. CEO and chair roles are separate, but executive chairman David Cote is not independent and describes himself as an active, daily liaison and adviser to management. That arrangement offers valuable operating mentorship but is weaker separation than an independent chair or a clearly empowered lead independent director.

2. Tenure and decision record

Three decisions are most diagnostic of the current team's judgment.

Decision	Evidence observed by June 30, 2026	What it says about management	Remaining test
Repair pricing, supply chain, and operating discipline after 2022	FY2022–FY2025 revenue +79.7%; operating margin +14.0 points; normalized ROIC +15.6 points; analytical FCF improved by about $2.15 billion	Excellent prioritization and execution; management converted backlog and demand into cash rather than only reported growth	Durability through weaker demand and a less favorable pricing environment
Invest ahead of AI-driven capacity and thermal density	R&D increased from $303.5 million in FY2023 to $441.7 million in FY2025; PP&E capex rose from $127.9 million to $220.0 million; FY2026 capex guidance is $550–570 million	Willingness to spend before all revenue is booked; strategy matches power and liquid-cooling bottlenecks	Utilization, returns, and inventory discipline after the build-out
Expand from products into systems through M&A	Great Lakes closed August 2025; PurgeRite closed December 2025; BMarko, Strategic Thermal Labs, and ThermoKey followed in 2026	Strong strategic logic around racks, fluid management, modular infrastructure, and heat rejection	Purchase-price returns, integration quality, cross-selling, and control maturity are not yet demonstrated

The turnaround is an unambiguous success. The capacity decision is rational but raises the burden of proof. At June 30, 2026, inventory was $2.52 billion versus $1.46 billion at FY2025, while first-half capex was $288.5 million. Growth, localization, long-lead equipment, and acquisitions explain some increase, but future working-capital reversal, excess components, and underutilized capacity are real risks. The 2031 test is whether incremental gross profit produces attractive returns.

M&A is the most important open question. PurgeRite required approximately $1.14 billion of net cash plus up to $250 million of contingent consideration; Great Lakes cost roughly $204 million, while 2026 bolt-on prices were undisclosed. Vertiv has not supplied acquired revenue, margin, synergy, or ROIC scorecards. FY2025 goodwill of $2.03 billion and intangibles of $1.89 billion nearly equaled $3.94 billion of equity, making acquisition accounting material to balance-sheet quality.

3. Capital allocation behavior

Fiscal year	R&D ($m)	PP&E capex ($m)	Analytical FCF ($m)	Acquisitions ($m cash)	Buybacks ($m)	Dividends ($m)
2021	266.4	73.4	126.3	1,142.0	0.0	3.8
2022	282.0	100.0	(263.8)	5.0	0.0	3.8
2023	303.5	127.9	765.9	16.9	0.0	9.5
2024	367.6	167.0	1,135.2	17.6	599.9	42.2
2025	441.7	220.0	1,887.4	1,184.8	0.0	66.6

The hierarchy has been sensible: fund organic capacity and innovation, repair the balance sheet, add selected capabilities, return surplus cash selectively, and maintain a modest dividend. R&D growth of 65.8% from FY2021 to FY2025 supports a genuine organic reinvestment case.

Repurchases show good price sensitivity. Vertiv bought 9.08 million shares for approximately $600 million in 2024 Q1—about $66 per share—then stopped as the share price rose, despite approximately $2.4 billion of remaining authorization. Management did not treat authorization as an obligation.

Net leverage fell to about 0.5 times at FY2025, and June 2026 was approximately net cash including investments. In March 2026, Vertiv issued $2.1 billion of long-dated notes and repaid its term loan. The refinancing is too recent to evaluate under stress or attribute to the new CFO.

Dividends remain a minor call on capital. The 2031 verdict will therefore depend on whether normalized ROIC stays above the cost of capital after the capacity and acquisition wave—not merely whether EPS rises.

4. Incentives, ownership, and dilution

The 2025 CEO package totaled $18.31 million: $1.25 million salary, $13.04 million of options, and $4.00 million of non-equity incentive compensation. The annual plan paired adjusted operating profit with adjusted free cash flow. Actual results of roughly $2.09 billion and $1.89 billion exceeded targets of $2.05 billion and $1.40 billion, respectively.

Incentive feature	Alignment benefit	Concern
Annual adjusted operating profit	Rewards scale and operating execution	Adjustments can exclude economic costs and do not test capital intensity

Incentive feature	Alignment benefit	Concern
Annual adjusted free cash flow	Constrains purely accounting-led growth	Can favor working-capital timing and remains an adjusted measure
Four-year time-vesting stock options	Creates upside exposure and retention	Rewards market multiple and beta; no downside below zero value beyond forfeited opportunity
2022 strategic awards based on AOP through 2025	Linked executives to the turnaround	Cliff vesting on January 1, 2027 may create retention/event concentration
2026 awards based on 2026–2028 EPS	Long enough to influence multi-year execution; targets are not adjusted for M&A or repurchases	No ROIC or relative TSR hurdle; EPS can be enhanced through leverage, acquisitions, or repurchases

The 2026 awards target EPS of $6.25, $8.15, and $10.55 for 2026–2028 and add value for each $0.15 of outperformance, with 2030 vesting. Targets are not adjusted for acquisitions or repurchases, but EPS is still not a capital-efficiency measure. ROIC or economic profit would better fit the strategy.

Ownership is meaningful. As of April 15, 2026, Albertazzi beneficially owned 1.63 million shares including options, with 166,101 actual common shares. At the sealed July 31, 2026 quote of $241.57, those actual shares alone were worth about $40 million—well above the five-times-salary guideline. The proxy's ownership test also counts some unvested or earned equity, so actual common shares are the cleaner evidence. Chamberlin's direct stake was still small, which is unsurprising given his recent appointment. Ownership guidelines require five times salary for the CEO, three times salary for other named executives, and five times annual retainer for directors; hedging and pledging are prohibited, and a no-fault clawback applies after specified accounting restatements.

Stock-based compensation was $23.2 million in FY2021, $24.7 million in FY2022, $25.0 million in FY2023, $34.6 million in FY2024, and $45.9 million in FY2025—only about 0.36%–0.46% of annual revenue. That is controlled in economic terms. Diluted weighted-average shares nevertheless increased from 355.5 million in FY2021 to 390.7 million in FY2025, reflecting the broader capital structure and not solely stock compensation. Investors should monitor fully diluted share count rather than infer dilution from expense alone.

One yellow flag is discretion: the committee approved a 257%-of-target annual incentive for Anand Sanghi, above the normal 200% maximum. Repetition would weaken stated limits. The 87% support for the 2025 say-on-pay vote was healthy but not overwhelming.

5. Communication quality and forecasting behavior

Communication is generally numerical, operational, and candid. Fresh live transcripts were obtained for seven quarters from 2024 Q3 through 2026 Q2; Financial Modeling Prep returned an empty 2026 Q2 payload twice, so official filings control that quarter. Every available transcript used at least one explicit risk marker, usually tied to quantified effects.

Quarter	What management said or did	Subsequent/embedded evidence	Assessment
2024 Q3	Raised all full-year metrics and lifted FCF guidance to $1.0 billion	FY2024 OCF reached $1.32 billion; analytical FCF $1.14 billion	Credible raise with cash support
2024 Q4	Issued 2025 guidance while explicitly excluding certain not-yet-enacted U.S. policy tariffs	Tariffs became a visible 2025 margin issue	Proper boundary, not concealment
2025 Q1	Raised organic sales growth to 18%, held adjusted operating-profit dollars, and cut margin midpoint by 50 bps for tariffs	Later quarters absorbed tariff pressure while full-year profit rose	Transparent negative revision
2025 Q2	Admitted operational inefficiencies and execution challenges under extreme volume and supply-chain transitions; quantified expected sequential improvement	Q3 results and raised guidance supported the recovery claim	Strong candor on self-inflicted issues
2025 Q3	Disclosed EMEA softness and approximately 100 bps lower Q4 margin expectations, split roughly between tariffs and accelerated fixed-cost investment	FY2025 still finished above key guidance points	Specific, decision-useful answer
2025 Q4	Reported results above prior sales, adjusted operating profit, and EPS expectations	Entered 2026 with $15 billion backlog	Strong delivery; backlog disclosure was valuable

Quarter	What management said or did	Subsequent/embedded evidence	Assessment
2026 Q1	Directly acknowledged EMEA organic sales down 29% while raising annual adjusted EPS and operating-profit expectations	H1 EMEA remained down 8.4%, so recovery was incomplete	Candid, but optimism still requires proof
2026 Q2	Official release raised sales, adjusted operating profit, EPS, and FCF ranges; no transcript was available from the required live endpoint	Quarterly EMEA sales grew 1.7%, but H1 remained negative	Positive evidence with lower communication confidence

The guidance record is strong: a sequence of raises and beats, interrupted by a transparent 2025 Q1 margin reduction. In 2025 Q2, management owned operational inefficiencies and execution challenges, then gave a roughly 150-basis-point sequential improvement expectation and year-end timetable.

Disclosure has regressed. Management says backlog includes only legally binding orders and that a majority typically carry advance payments, yet after publishing approximately $15 billion at FY2025 it stopped quarterly order and backlog figures in 2026. Competitive sensitivity justifies withholding customer win rates and factory sourcing, but not the absence of a segment-level acquired-growth and integration scorecard.

6. Strategic coherence and organizational fit

Vertiv states its purpose succinctly: “We aim to help create a world where critical technologies always work.” The operating strategy follows that purpose: customer focus, operational excellence, a high-performance culture, system-level innovation, and financial strength. The resource allocation is consistent with the message.

Strategic claim	Observable commitment	Coherence judgment
Be essential to critical digital infrastructure	Investment in power, thermal management, racks, services, and liquid-cooling fluid management	High; portfolio maps directly to data-center bottlenecks
Move toward integrated systems	Great Lakes, PurgeRite, BMarko, Strategic Thermal Labs, and ThermoKey acquisitions	High strategic fit; economic fit unproven
Build capacity ahead of demand	FY2026 capex guidance of $550–570 million and elevated inventory	Coherent but raises execution and utilization risk
Sustain innovation	R&D reached $441.7 million in FY2025	Consistent and material, though product-level returns are not disclosed
Generate financial strength	High-teens margins, strong cash conversion, low net leverage	Demonstrated through FY2025; must persist through the investment wave

Dense computing creates simultaneous power, heat, deployment-time, and reliability constraints; combining UPS, switchgear, cooling, fluid management, racks, and modular solutions has customer logic. The biggest uncertainty is whether complexity outruns controls, field execution, or integration capacity.

7. Governance, controls, and conduct

Issue	Evidence	Gate implication
Voting structure	Single Class A common stock with one vote per share	Positive; no dual-class insulation
Board independence	Nine of eleven nominees classified independent; independent committees	Positive, with qualifications below
Executive chair	David Cote is active, non-independent, and a daily management adviser	Yellow; role separation is incomplete in substance
Legacy sponsor ties	Two directors classified independent are executives of Platinum Equity and have served since 2020	Monitor independence and refreshment; no current control block identified
Internal controls	Management and EY concluded FY2025 controls were effective; June 2026 controls remained effective	Positive, but newly acquired businesses were excluded during permitted first-year periods
Litigation	2022 securities and derivative matters concerning 2021–2022 supply-chain, inflation, and pricing statements remain pending in part	Yellow; legacy allegation is relevant to present disclosure evaluation
Regulatory inquiry	SEC Enforcement ended its investigation on December 30, 2025 without recommending action	Positive resolution; do not conflate with still-pending private litigation
Insider activity	No broad CEO/CFO selling cluster found; executive chair's spouse sold 40,000 shares in February 2026, and one director adopted a Rule 10b5-1 plan	Isolated watch item, not a management-gate failure

The [FY2025 Form 10-K](https://www.sec.gov/Archives/edgar/data/1674101/000167410126000008/vrt-20251231.htm) states that disclosure controls and internal control over financial reporting were effective, supported by EY's unqualified opinion. Great Lakes and PurgeRite were excluded from the FY2025 controls assessment during their first year, representing 2.7% of assets excluding acquisition intangibles and 0.6% of sales. The [June 2026 Form 10-Q](https://www.sec.gov/Archives/edgar/data/1674101/000162828026050609/vrt-20260630.htm) also excluded those businesses plus BMarko, Strategic Thermal Labs, and ThermoKey. These are permitted exclusions, not identified weaknesses, but they concentrate the integration-control test in the next audit cycles.

Private litigation still alleges misleading statements during the 2021–2022 supply-chain and pricing breakdown. Securities Act claims were dismissed in January 2024, while portions of the Exchange Act case remained and derivative cases were stayed. The allegations predate Albertazzi's CEO tenure but justify a disclosure-quality monitor.

8. Peer calibration and evidence base

Company / CEO	Current CEO tenure	Relative management evidence	Calibration versus Vertiv
Legrand / Benoît Coquart	CEO since 2018; at Legrand since 1997, including prior corporate-development and strategy roles	Long in-seat record and repeated bolt-on acquisition experience	Stronger duration and M&A proof; benchmark Vertiv has not yet met
Vertiv / Giordano Albertazzi	CEO since January 2023; predecessor-company veteran since 1998	Best recent operating inflection in the group; detailed crisis repair and cash conversion	Upper-half operator, but current acquisition wave is unseasoned
Eaton / Paulo Ruiz	CEO since June 2025	Established industrial system and portfolio discipline, but limited current-CEO evidence	Vertiv has more in-seat CEO proof; Eaton has deeper institutional-cycle evidence
Schneider Electric / Olivier Blum	CEO since November 2024	Large-scale energy-management platform and established reporting architecture	Vertiv has more current-CEO proof; Schneider offers a stronger institutional benchmark

This comparison intentionally separates the individual from the institution. Albertazzi has more observable CEO execution than Eaton's Paulo Ruiz or Schneider Electric's Olivier Blum because their appointments are recent. [Legrand's official history](https://www.legrandgroup.com/en/group/our-history) shows that Benoît Coquart has led since 2018 after running corporate development and strategy, giving him a more complete cycle and acquisition record. Albertazzi therefore ranks in the peer group's upper half on current operating evidence, but not first on tested capital allocation. Company-level process maturity at Eaton, Schneider, and Legrand is also a higher bar than short-tenure CEO comparisons alone suggest.

Core evidence was the verified research package (SHA-256 `3999887b9bda6ef9b4e9bdddcc6a5f80ad91a34503449b670a396e4737e761f36`), verified statutory bridge (`c740adfd22f373f6a849bc4ada925c32cdcf7bcb3ab4fbd21a8fdf95838ef433`), sealed quote packet (`a812be65b0c6315cc732fee8d1122a9ab250fc5ce666bfaed71f1529e722934e`), the official proxy and SEC filings linked above, and the [official 2026 Q2 earnings exhibit](https://www.sec.gov/Archives/edgar/data/1674101/000162828026050323/q22026exhibit991vrt07292026.htm). Fresh transcript and cash-flow pulls are preserved in the [run evidence folder](<C:/Users/Admin/OneDrive/GPT/ER 2.0/Vertiv Holdings Co/raw/pulse-cio-20260802T140428+0800/m_live>) and copied without overwriting existing files into the investing data warehouse.

9. Explicit management gate verdict

YELLOW. Albertazzi has demonstrated high-quality operating execution, sensible organic reinvestment, price-sensitive repurchases, credible guidance, and meaningful personal ownership, but he has only 3.5 years of CEO tenure and has not yet proved the economics of the 2025–2026 acquisition wave. The gate upgrades to **PASS** if acquired-business controls are brought fully into scope without material weakness, management publishes credible integration and return evidence, normalized ROIC remains strong after the capacity build, and disclosure of backlog or equivalent demand-quality indicators improves through 2027–2028. It downgrades to **FAIL** if acquisition impairments, repeated above-cap compensation discretion, material control failures, sustained inventory/FCF deterioration, or renewed misleading-disclosure findings emerge. Until then, the team is investable from a management-quality standpoint but remains an unresolved long-cycle allocator rather than a fully proven one.

Appendix W - Moat and 2046 Durability

Vertiv Holdings Co — Moat and 2046 Durability

Ticker: VRT **Assessment date:** 2026-08-02 **TTM anchor:** Four quarters ended 2026-06-30 **Financial-model horizon:** 2031-06-30 **Durability horizon:** 2046-08-02 **Input controls:** verified data package SHA-256 `3999887b9bda6ef9b4e9bdddcc6a5f80ad91a34503449b670a396e4737e761f36`; reviewed Americas, Asia Pacific, and EMEA appendices SHA-256 `b2cb37cba38ce70ee44912ed7dded02167459fd7501061433789bf5eab90eab1`, `4d63a18298f237512df66421b9373be544ec5da7db78a0313b4f451525e8a3c3`, and `4a7eb82d5613f18f570a09d6e62ab573ca03da48f3ab1657470bf930cc2f542b`; sealed statutory bridge SHA-256 `c740adfd22f373f6a849bc4ada925c32cdcf7bcb3ab4fbd21a8fdf95838ef433`.

This appendix evaluates business durability only. It has no trade, ranking, portfolio-sizing, or execution authority. The precise candidate profit pools are: (1) qualified, engineered power-and-thermal systems for high-availability compute, especially in Americas; (2) lifecycle services and spares tied to the installed base; and (3) design, testing, commissioning, and field-response capabilities that reduce deployment and outage risk. It is not defensible to call all critical-infrastructure hardware moated.

1. Moat taxonomy applied

Network effects — absent. Vertiv does not become inherently more valuable to each customer merely because another customer buys its equipment. Service density and a larger installed base create learning and route-density benefits, but those are scale and switching-cost effects, not a two-sided network. Controls and monitoring may accumulate operating knowledge, yet no proprietary cross-customer data network or software adoption metric is disclosed. Network effects should receive no moat credit.

Switching costs — moderate to strong after specification, weak before award. The strongest friction arises once Vertiv equipment is designed, qualified, installed, commissioned, documented, and embedded in site procedures. Changing a UPS, coolant-distribution architecture, power train, controls layer, or service protocol can require redesign, retesting, retraining, spares changes, and downtime risk. Repeat campus designs and brownfield retrofits deepen this advantage. Before a project is awarded, however, sophisticated customers can qualify multiple vendors and unbundle power, cooling, racks, and controls. The filing itself says large customers have leverage over terms and that orders can be canceled or rescheduled. Switching costs protect the installed base and qualified designs; they do not eliminate bid-stage competition.

Scale economies — meaningful, most visible in Americas. Vertiv combines global procurement, roughly 300 locations, about 5,000 field-service engineers in the FY2025 filing, regional manufacturing, engineering reuse, and the capacity to support multinational deployments. Scale can improve component sourcing, factory absorption, response time, and the economics of maintaining a broad service network. Americas' current-basis segment margin rose from 19.8% in FY2023 to 28.5% TTM as volume and mix expanded, while APAC rose from 9.6% to 12.5%. That is evidence of operating leverage, not proof of permanence: inventory reached $2.523 billion at Q2 FY2026 and capex is being accelerated. If industry capacity outruns projects, the same fixed-cost base reverses leverage.

Brand — useful in high-trust procurement, not a consumer-style price umbrella. Vertiv, Liebert, NetSure, Geist, and Avocent carry history in mission-critical infrastructure. Customer relationships can span decades, and the company reports a first-time-fix rate above 90% for emergency visits. Brand reduces qualification risk, but Vertiv still competes on technology, reliability, quality, price, service, and relationships. It is a trust credential, not evidence of unconstrained pricing.

Regulatory advantage — limited. Safety, efficiency, environmental, water, refrigerant, and reporting rules raise engineering and certification requirements. Vertiv's global compliance and local engineering help, especially in EMEA and APAC, but competitors face the same rules. There is no scarce license or exclusive franchise; regulation is not a standalone moat.

Intellectual property — supportive, not the central defense. Vertiv maintains patents, trademarks, trade secrets, know-how, and third-party licenses, and spent $441.7 million on engineering and R&D in FY2025. Its power, cooling, controls, modular, testing, and fluid-management capabilities matter. The [FY2025 Form 10-K](https://www.sec.gov/Archives/edgar/data/1674101/000167410126000008/vrt-20251231.htm) also warns that IP can be challenged, circumvented, or difficult to protect. Competitors can acquire capability quickly, as Schneider did in liquid cooling. The defendable asset is the accumulated system know-how plus qualification and field feedback, not an identified patent wall around the profit pool.

High-trust procurement — strongest moat element. Downtime at a high-density compute facility can cost far more than a modest equipment-price difference. Customers therefore value verified reliability, reference designs, factory acceptance testing, on-time delivery, commissioning competence, local emergency response, and accountability across interfaces. Vertiv works with customers from planning through delivery and service; the FY2025 filing reports more than 300 service centers. This is the most protectable mechanism because a new component vendor can copy a specification faster than it can reproduce decades of qualification history, global deployment capacity, and local response coverage. The defense is strongest for integrated, high-density systems and weakest for standardized individual components.

2. Per-segment moat and blended economics

Segment	TTM revenue	TTM segment margin	Defensible profit pool	Durability / break condition	Earliest observable sign
Americas	$7,483.9m	28.5%	Qualified integrated power, thermal, modular and service delivery for hyperscale/colo/high-density sites	Strong over 5 years; credible over 10; unproven over 20. Breaks if systems standardize, customers dual-source aggressively, or capacity overshoots.	Margin below 24% with slowing sales; service growth lagging products; warranty or qualification losses
Asia Pacific	$2,245.4m	12.5%	Local qualification, Johor testing/manufacturing, installed-base service, and multi-country execution	Moderate over 5-10 years; weakly proven over 20. Breaks if Huawei/Delta/Schneider or server OEMs own the architecture.	Growth without margin leverage; Johor under-utilization; price-led wins or service stagnation
EMEA	$1,750.3m	21.3%	Brownfield retrofit knowledge, regional service, integrated power/thermal engineering, and local compliance	Moderate over 5-10 years; uncertain over 20. Breaks if grid delays strand capacity or components become interchangeable.	TTM growth below 5% and margin below 19%; Tognana ramp without revenue; service mix fails to rise

Americas. This segment holds the decisive profit pool: 65.2% of TTM segment revenue and 76.6% of the three segments' TTM operating profit. Its moat is the combination of customer qualification, repeat high-density designs, integrated power-and-cooling engineering, manufacturing availability, and field service. A challenger attacks by qualifying an equivalent architecture, offering a broader electrical bundle, and using price or guaranteed capacity to win a second-source position. That attack fails when redesign or schedule risk outweighs savings and when Vertiv can deliver a proven system with local service. It succeeds if open reference designs and multi-vendor interoperability make integration routine. The margin is impressive, but it has not yet been tested after the extraordinary backlog and capacity cycle.

Asia Pacific. The moat is narrower because strong regional incumbents and local vendors already span power, thermal, controls, and integration. Johor can improve lead time, witness testing, and regional resilience, but a new plant is not a moat until it achieves quality, utilization, and customer qualification. Installed-base service and multinational relationships provide switching friction, while country-specific engineering adds complexity a remote entrant must reproduce. The clearest failure mode is architecture capture by Huawei, Delta, Schneider, server OEMs, or large customers themselves. APAC's 12.5% TTM margin, though improving, shows less economic protection than Americas.

EMEA. EMEA benefits from a mature installed base, brownfield retrofit complexity, energy-efficiency requirements, local service, and the need to integrate varied grids, climates, and standards. These can sustain low-twenties segment economics. Yet the current series is volatile: 20.0% in FY2023, 24.5% in FY2024, 20.7% in FY2025, and a 16.6%-25.7% quarterly range within the latest TTM. Tognana's chiller expansion can strengthen the thermal offering, but slow connections and competition can leave it underabsorbed. EMEA has defensible relevance, not stable evidence of widening economic rents.

The **blended company moat is weaker than Americas alone**. Americas supplies more than three quarters of modeled segment profit, while APAC earns less than half its margin and EMEA has weak recent growth. The company depends heavily on one profit pool exposed to hyperscale and AI capital spending. Its installed-base and service layer is more defensible than competitively bid hardware, but service profitability is not disclosed.

An official-source control issue further limits precision. The verified data package says regional product/service dollars are not disclosed, but the FY2025 10-K's disaggregation table reports offering-basis FY2025 products/services of $5,270.1m/$1,116.2m in Americas, $1,510.9m/$508.3m in APAC, and $1,426.0m/$398.4m in EMEA. These sum to regional sales and show that services were 17.5%, 25.2%, and 21.8% of each region, respectively. They do **not** disclose service profit, renewal, attach, or retention. The discrepancy does not invalidate the geographic segment totals or margins, but it means the service moat can be evidenced as a revenue pool, not yet as a high-margin annuity.

3. Margin persistence evidence

The ten-year view is not evidence of a long-standing wide moat. The live FMP annual pull provides 2016-2020 observations; the verified issuer-controlled package governs FY2021-FY2025 because FMP's recent operating-income mapping differs. Pre-2021 figures cover a different ownership and portfolio era and are contextual rather than strictly comparable.

Fiscal year	Consolidated operating margin	Evidence basis
2016	approximately 0.0%	Live FMP annual pull; legacy/pre-public-company context
2017	1.6%	Live FMP annual pull; legacy context
2018	approximately 0.0%	Live FMP annual pull; legacy context
2019	5.0%	Live FMP annual pull; legacy context
2020	7.7%	Live FMP annual pull; legacy context
2021	5.4%	Verified issuer-controlled data package
2022	3.9%	Verified issuer-controlled data package
2023	12.7%	Verified issuer-controlled data package
2024	17.1%	Verified issuer-controlled data package
2025	17.9%	Verified issuer-controlled data package
TTM June 2026	18.9%	Sealed statutory bridge and verified data package

The inflection is real: statutory margin expanded about 1,500 basis points from FY2022 to TTM, cash conversion strengthened, and normalized ROIC reached roughly 19% in FY2024-FY2025. But persistence is only three years. The period also includes AI-infrastructure acceleration, price/cost repair, favorable mix, backlog expansion from about $4.8 billion to $15.0 billion, and leverage. Current-basis segment history starts in FY2023 after recasting: Americas expanded 19.8% to 26.8% to 28.5% TTM; APAC 9.6% to 11.0% to 12.5%; EMEA 20.0% to 20.7% to 21.3%, with a 24.5% FY2024 peak.

The evidence therefore establishes a **current economic advantage**, especially in Americas, but not a cycle-tested twenty-year return profile. The leading durability test is whether margins remain structurally above the 2021-2022 range after backlog normalizes and newly added industry capacity is available.

4. AI disruption stress test

Vertiv's core value is not a prompt-to-output workflow. Power conversion, switchgear, thermal management, coolant distribution, racks, modular infrastructure, acceptance testing, commissioning, maintenance, and emergency response are physical chokepoints. A foundation model cannot cool a rack, energize a campus, certify electrical safety, clean a fluid loop, or replace a field engineer. AI can improve design automation, predictive maintenance, controls optimization, quoting, and technician productivity, but those tools are more likely to lower internal cost than erase the physical requirement.

Americas is platform-adjacent and most protected. AI raises rack power density and heat load, expanding the need for coordinated electrical and thermal infrastructure and potentially increasing Vertiv content per deployment. Its qualification history, service footprint, and repeat hyperscale designs are the strongest defenses. The adverse AI vector is architectural rather than generative: server or chip platforms could standardize rack-integrated power and cooling, shift integration to OEMs, or make components interchangeable. Americas would then lose system economics while retaining lower-margin hardware and service.

Asia Pacific is the most exposed segment to AI-driven disintermediation. It benefits from the same physical demand, but regional competitors and OEM ecosystems are formidable. Huawei, Delta, Schneider, and local integrators can bundle power, cooling, controls, and service. If AI rack platforms arrive as standardized turnkey modules controlled by chip/server vendors, APAC customers may source local components around those standards. Johor protects delivery and testing, not ownership of the architecture.

EMEA is protected by brownfield complexity but exposed to project friction. AI increases retrofit demand for power density and liquid cooling, while local standards, energy efficiency, water, and grid constraints make engineering and service valuable. Models can automate monitoring and energy optimization, potentially commoditizing parts of the software/control workflow. The durable value remains the physical retrofit, commissioning, compliance, and uptime responsibility.

AI is a demand accelerator and engineering tool, not a direct substitute. The risk is that platform owners reallocate value through standardized interfaces. Watch reference-architecture presence, service growth, win rates, and margin as competing portfolios scale.

5. The 2046 test

Today is 2026-08-02; the test date is 2046-08-02. A specific plausible 2046 description is: Vertiv designs, manufactures, commissions, controls, and services the grid-to-compute electrical chain and the chip-to-environment thermal chain for high-availability digital infrastructure. Its customers are hyperscale and sovereign compute utilities, colocation networks, telecommunications operators, industrial automation estates, and public infrastructure operators. It sells medium-voltage and DC distribution, resilient power conversion and storage interfaces, direct liquid and immersion-adjacent fluid systems, heat rejection, modular compute halls, controls, parts, upgrades, and guaranteed-response lifecycle services. Americas remains the largest profit pool; APAC is a larger share than today because compute capacity and service density have deepened; EMEA is more retrofit- and efficiency-led. Standard racks and undifferentiated components have withered, while thermal-fluid systems, power orchestration, modular deployment, and installed-base services have grown.

Directionally, 2046 statutory operating margin is **stable to modestly lower than the 18.9% TTM level**, rather than permanently rising. Mature AI infrastructure, open interfaces, customer concentration, and well-capitalized rivals normalize today's scarcity economics. Offsetting that pressure are greater system complexity, a larger service pool, accumulated installed-base knowledge, and engineering reuse. The company still makes attractive money if customers continue to pay for qualified reliability, shortened deployment, integration accountability, and rapid local response. That is a concrete moat: high-trust procurement plus switching friction and service density around physical chokepoints.

The bear 2046 description is equally specific. Hyperscalers and server OEMs control standardized rack power and cooling architectures; interoperable modules are sourced from multiple contract manufacturers; independent service firms maintain open systems; and excess industry capacity turns most equipment into bid-priced hardware. Vertiv remains a substantial supplier, but its role is assembly and regional service rather than system architect. Americas segment margin falls toward the high teens, APAC toward high single digits, EMEA into the mid-teens, and consolidated statutory margin settles in the low teens. This bear case is **medium probability, roughly 30%**, because every major incumbent is investing and customers have strong incentives to multi-source. It is not the base case because physical reliability, qualification, field coverage, and brownfield heterogeneity resist complete commoditization.

The 2046 business is credible, but high-return durability is not yet sufficiently proven for PASS. The description depends on Vertiv retaining architecture relevance across several technology generations and converting the installed base into observable service economics.

6. Competitive threat inventory

Threat	Mechanism	Segment(s) affected	Earliest observable signal	Plausibility
Integrated-incumbent convergence	Schneider, Eaton, Huawei, Delta, Legrand, Johnson Controls and specialists close portfolio gaps and bundle aggressively	All; greatest profit impact in Americas	Segment margin compression despite industry growth; share loss; more price-led bids	High
AI platform standardization / OEM integration	Chip, server, and hyperscale platforms define open or turnkey rack power/cooling, reducing supplier system value	APAC first; then Americas and EMEA	Vertiv absent from new reference designs; product growth without service/system margin	Medium-high
Capacity and backlog digestion	Customer rescheduling, duplicate reservations, grid delays, and new supply create under-absorption and concessions	Americas most; EMEA capacity also exposed	Backlog declines faster than revenue converts; inventory days rise; Americas margin below 24%	Medium-high

7. Pricing-power verification

Pricing power is **observable only indirectly and remains unverified as a standalone moat**. The margin recovery and Q2 FY2026 regional improvement show that Vertiv retained significant economics through inflation and growth: Americas Q2 margin rose to 27.6% from 24.0%, APAC to 13.3% from 10.6%, and EMEA to 25.7% from 21.9%. But management attributes those gains principally to mix, operating leverage, cost improvement, and project execution, not a disclosed price realization series. No segment ASP, unit volume, churn, customer retention, renewal, or price-adoption rate is disclosed.

Contract evidence is mixed. The FY2025 10-K says the majority of the $15.0 billion backlog was considered firm and expected within 12-18 months; customers can sometimes defer or cancel with penalties or other consequences. That supports commitment and visibility. The same filing says Vertiv has long-term fixed-price contracts, that large customers have

leverage over terms, and that pricing changes can take longer to enter results because of backlog. No standard multi-year escalator, minimum commitment, or take-or-pay structure is disclosed. Vertiv also warns it may be unable to offset input-cost increases with price increases without losing volume or profit.

The correct conclusion is not that Vertiv lacks pricing power. It is that the recent numbers do not isolate it from scarcity, mix, and absorption. Upgrade evidence would be disclosed price realization net of cost inflation, stable win rates and service retention, and margins holding after supply normalizes. Until then, pricing is a YELLOW input.

8. Moat verdict

Moat gate: YELLOW 2046 test: YELLOW

Vertiv has a real present moat in qualified integrated power-and-thermal systems, high-trust procurement, installed-base switching friction, and global field service; Americas is the dominant protectable profit pool. The gate does not PASS because the strongest margin evidence spans only the current AI/backlog upswing, pricing power is not separately observable, APAC economics are modest, and EMEA is volatile. The 2046 company can be described specifically and credibly, but maintaining high returns requires Vertiv to retain system-architecture relevance and build a measurable service flywheel across multiple technology cycles.

Upgrade to PASS if: (1) Americas margin remains above 25% through a backlog normalization while APAC stays above 12% and EMEA above 20%; (2) service revenue, attachment/renewal, and retention become observable and outgrow equipment without deterioration in customer outcomes; and (3) price realization and win-rate evidence show value-based pricing after competitors' new capacity is operating. Downgrade to FAIL if Americas margin falls below 20% on normalized demand, service growth fails to offset product commoditization, or Vertiv loses qualification/reference-design positions as rack-level architectures standardize. These signals distinguish a durable installed-base and systems moat from a temporary capacity-cycle rent.

Appendix B1 - Americas

Americas — Segment Deep Dive

Company: Vertiv Holdings Co (NYSE: VRT) **Forecast base:** TTM ended June 30, 2026, comprising Q3 FY2025 + Q4 FY2025 + Q1 FY2026 + Q2 FY2026 **Exact horizon:** June 30, 2031, exactly 5.0 years from the TTM base **Reporting currency and scale:** USD millions unless otherwise stated **Exact segment profit basis: Operating profit (loss) Sealed inputs:** data package SHA-256 `3999887b9bda6ef9b4e9bdddcc6a5f80ad91a34503449b670a396e4737e761f36`; statutory bridge SHA-256 `c740adfd22f373f6a849bc4ada925c32cdcf7bcb3ab4fbd21a8fdf95838ef433`; quote packet SHA-256 `a812be65b0c6315cc732fee8d1122a9ab250fc5ce666bfaed71f1529e722934e` **Authority boundary:** This appendix is segment underwriting, not a security verdict, portfolio ranking, sizing instruction, or trade authorization.

0. Segment boundary and taxonomy note

Americas is one of Vertiv's three reportable geographic operating segments, alongside Asia Pacific and Europe, Middle East & Africa. The geographic sales boundary is sufficiently stable for a five-year revenue history, but the **Operating profit (loss)** history has a hard comparability boundary: only FY2023 through FY2025 is presented on the current basis. Vertiv's FY2025 Form 10-K reclassified prior-year amounts to include allocations of engineering, research and development, information technology, and certain significant expenses. The current-basis FY2023 Americas operating profit is $762.4 million, materially different from the $958.8 million legacy figure in the FY2023 filing. This appendix therefore uses FY2021-FY2025 revenue for long-range context, but uses only current-basis FY2023-FY2025 profit and margin for economic trend analysis. It never splices the legacy FY2021-FY2022 profit series into the forecast calibration. Source: [data package §3, taxonomy warning and current-basis segment economics, Americas row](./data_package.md).

There is a second important boundary. Vertiv discloses products and services and spares at the **companywide** level, but does not disclose those revenue classes by geography, nor does it disclose product-line profitability. Power management, thermal management, IT systems, infrastructure solutions, and lifecycle services are relevant operating drivers inside Americas, but they cannot be converted into separate Americas revenue lines without inventing a regional allocation. Accordingly, the financial model has one reconstruction-safe line—Americas—and the portfolio categories are used as qualitative demand, mix, and margin drivers. This is less granular than an ideal product model, but it preserves the upstream disclosure boundary and ensures every forecast total is reconstructable.

1. What the Americas segment actually is

Americas sells the physical infrastructure that keeps data-center, communications-network, and selected commercial and industrial compute environments powered, cooled, connected, monitored, and serviceable. In plain language, Vertiv sits between the electrical grid and IT equipment and between the heat produced by that equipment and the outside environment. Its products include power-management and power-quality equipment, thermal-management systems, racks and related IT infrastructure, modular or prefabricated infrastructure, monitoring and controls, and associated spare parts. Its service organization installs, commissions, maintains, repairs, and upgrades this equipment across its life.

The economic center of gravity has increasingly shifted toward data centers, particularly hyperscale/cloud, colocation, neocloud, and other high-density deployments. These customers require more than a catalog component. They must coordinate utility input, switchgear, power distribution, uninterruptible power, backup architecture, heat capture, coolant distribution, heat rejection, rack geometry, controls, and field service. The engineering problem becomes harder as rack power moves from conventional enterprise levels toward the much higher densities associated with accelerated computing. The data package notes management's roadmap framing of approximately 140 kW progressing toward 300 kW and eventually more than 1 MW for advanced applications, while PowerDirect 5000 is designed for up to 900 kW and new coolant distribution units scale beyond 2 MW. Those are capability disclosures, not booked revenue, but they explain why power and cooling increasingly need to be engineered as a system. Source: [data package §4, hardware and capacity indicators and technology roadmap](./data_package.md).

Customers buy through a mix of direct relationships, project-led selling, distributors, independent representatives, original-equipment-manufacturer relationships, and service channels. The route depends on account size and project complexity. A hyperscale campus can involve long qualification and design cycles, detailed engineering, factory capacity reservations, phased deliveries, site commissioning, and a multiyear service relationship. A smaller enterprise or edge

installation may use standardized equipment and channel distribution. This mix matters because a project-heavy backlog produces visibility but also schedule, cancellation, customization, and working-capital risk.

Pricing is therefore neither a pure recurring subscription nor a commodity spot market. Equipment revenue is generally project or order based. Price reflects configuration, availability, performance, energy efficiency, reliability, lead time, integration requirements, warranty, and service. Large customers can exert bargaining power and seek favorable commercial terms, while constrained capacity and high switching costs during a live build can strengthen the supplier's position. Lifecycle services and spares are more recurring because an installed base requires maintenance and because uptime is economically valuable. However, the data package does not disclose Americas service attachment, renewal, or installed-base revenue. The model does not assign a fabricated recurring-revenue percentage.

The Americas segment also houses much of Vertiv's current capacity expansion and acquisition activity. The data package identifies four Americas facilities discussed in March 2026, an approximately $50 million Ohio investment with the Ironton site expected to become operational in Q2 2027, and acquisitions that add liquid-cooling fluid management, racks and cabinets, structural fabrication, and test capability. PurgeRite and Great Lakes were material disclosed transactions; BMarko Structures and Strategic Thermal Labs broadened fabrication and testing. These additions help Vertiv offer a more integrated architecture and shorten deployment cycles, but they also increase the operational surface area that must be managed.

2. Current economics

Americas generated **$7,483.9 million** of TTM revenue and **$2,131.6 million** of **Operating profit (loss)**, an exact margin of **28.48%**, rounded to 28.5% in the data package. The segment represented roughly three fifths of Vertiv's companywide revenue base and a much larger share of the three modeled segments' profit. FY2025 revenue was $6,386.3 million, or 62.4% of consolidated sales; Americas also contributed 74.1% of the three segments' FY2025 operating-profit sum. This concentration makes Americas the decisive variable in the consolidated earnings model. Sources: [data package §3, geographic segment sales table, current-basis segment economics, latest-four-quarters table, and §8 geographic concentration discussion](./data_package.md); [Vertiv FY2025 Form 10-K, reportable-segment note](https://www.sec.gov/Archives/edgar/data/1674101/000167410126000008/vrt-20251231.htm); [sealed TTM statutory derivation](./statutory_bridge.json).

The latest quarterly path remained strong: Americas sales were $1,712.4 million in Q3 FY2025, $1,886.3 million in Q4 FY2025, $1,814.4 million in Q1 FY2026, and $2,070.8 million in Q2 FY2026. Margins on the sealed basis were 29.3%, 30.1%, 27.0%, and 27.6%, respectively. Q2 revenue grew 29.2% year over year. The sequence shows two things. First, demand remained very strong after the extraordinary order intake disclosed in late FY2025. Second, profit margin is not mechanically rising every quarter: Q1 and Q2 margins were below the 29%-30% levels of the prior two quarters. The forecast therefore starts at 28.48% TTM margin rather than extrapolating the best quarter. Sources: [data package §3, latest-four-quarters table, Americas columns](./data_package.md); [Vertiv Q2 FY2026 earnings exhibit, regional results](https://www.sec.gov/Archives/edgar/data/1674101/000162828026050323/q22026exhibit991vrt07292026.htm); [sealed TTM statutory derivation](./statutory_bridge.json).

The portfolio mix is only visible companywide. FY2025 products were $8,390.6 million, or 82.0% of total sales, while services and spares were $1,839.3 million, or 18.0%. The Q2 FY2026 supplemental offering table reported $2,606.4 million of products and $667.9 million of services and spares, growing 23.0% and 28.6%. A separate condensed-statement classification reported $2,646.7 million and $627.6 million; both sum to the same total but cannot be interchanged. Because neither table allocates revenue to Americas, neither is used to manufacture regional product shares. They instead support the qualitative conclusion that services are meaningful and, in Q2 on the offering basis, grew faster than products. Sources: [data package §3, revenue-class table and Q2 classification note](./data_package.md); [Vertiv FY2025 Form 10-K, disaggregated-revenue table](https://www.sec.gov/Archives/edgar/data/1674101/000167410126000008/vrt-20251231.htm); [Vertiv Q2 FY2026 earnings exhibit, sales-by-offering table](https://www.sec.gov/Archives/edgar/data/1674101/000162828026050323/q22026exhibit991vrt07292026.htm).

Capital intensity is moderate at the mature business level but rising during the expansion. Companywide property, plant and equipment capex increased from $73.4 million in FY2021 to $220.0 million in FY2025, and FY2026 guidance calls for approximately 4.0% of sales. Inventory reached $2,522.7 million at Q2 FY2026, up sharply from $1,456.5 million at FY2025. These are not Americas-only figures, so they cannot be assigned to this segment's invested capital. They do show that incremental growth presently requires factories, labs, components, work in process, acquisition integration, and supplier commitments. The 28.48% segment margin should not be confused with low reinvestment needs. Sources: [data package §2, five-year cash-flow and inventory history](./data_package.md); [Vertiv FY2025 Form 10-K, cash-flow and balance-sheet

statements](https://www.sec.gov/Archives/edgar/data/1674101/000167410126000008/vrt-20251231.htm); [Vertiv Q2 FY2026 Form 10-Q, inventory](https://www.sec.gov/Archives/edgar/data/1674101/000162828026050609/vrt-20260630.htm).

3. Unit economics

Americas revenue becomes **Operating profit (loss)** through a combination of equipment gross profit, services and spares contribution, engineering and project costs, manufacturing conversion, logistics, field-service labor, selling expense, and allocations included in the current segment measure. Because product-line gross margin is not disclosed, an exact waterfall from power, thermal, racks, and services to regional operating profit is not possible. The correct approach is to identify the mechanisms and test the consolidated segment margin against its disclosed history.

The first driver is price and configuration. Critical infrastructure is purchased for reliability, efficiency, compatibility, and timely deployment, not merely lowest upfront price. Dense AI systems can require upgraded power trains, liquid cooling, new heat-rejection architecture, heavier racks, controls, and integration work. A richer system can increase revenue per unit of deployed compute even if the number of projects does not change. Yet unit shipments and ASP are not disclosed, so no forecast decomposes growth into price and volume. The scenario paths are total-revenue assumptions.

The second driver is scale and factory absorption. A fast-growing order book can improve purchasing leverage, production scheduling, fixed-cost absorption, and engineering reuse, especially when common designs serve multiple deployments. That mechanism helps explain the increase in current-basis Americas margin from 19.8% in FY2023 to 24.4% in FY2024 and 26.8% in FY2025. However, the move is already large—700 basis points in two years. The base case grants only another 102 basis points from the TTM starting point by 2031, and the bull case grants 252 basis points. The forecast requires evidence of continued mix, scale, and execution rather than assuming the historic rate of expansion continues.

The third driver is service attachment and installed-base monetization. Field service can create repeat contact, improve uptime, and deepen customer knowledge. Approximately 5,300 field service engineers were cited in May 2026 investor materials, a companywide scale indicator. A larger installed base should increase maintenance and spares opportunities, potentially smoothing project cyclicality. But the absence of regional attachment rates, renewal rates, or service margin requires restraint. In the base case, service supports modest resilience and margin, but it is not modeled as a separately quantified high-margin annuity.

The fourth driver is input cost and supply-chain execution. Electrical components, cooling equipment, fabricated structures, freight, and skilled labor all matter. Inventory accumulation can protect project schedules and support a larger backlog, but excess inventory can reduce cash conversion and create obsolescence or rework. Long-duration or fixed-price commitments can compress margin if input costs or engineering requirements move adversely. The bear case explicitly allows the margin to fall to 22.5%, below the current level but above FY2023, as competition, project mix, under-absorption, and inventory costs reverse part of the expansion.

The fifth driver is product and architecture transition. Higher rack densities pull demand toward integrated power and cooling, but new technologies create qualification, warranty, leak-management, reliability, and commissioning risks. Recent acquisitions expand capability but also create purchase-accounting and integration burdens. Segment **Operating profit (loss)** is upstream of the sealed corporate, foreign-currency, and amortization bridge; this appendix does not allocate those corporate or statutory adjustments into Americas. The combined synthesis must project them once at the consolidated level.

Finally, revenue timing matters. Companywide backlog reached approximately $15.0 billion at FY2025, up from approximately $7.2 billion a year earlier, while Q4 book-to-bill was approximately 2.9x. That visibility can improve capacity planning, but it does not guarantee recognition. The latest Q1 and Q2 FY2026 materials did not disclose updated numeric orders, backlog, or book-to-bill. The schedule, cancellation rights, geographic allocation, and embedded margin of backlog are not disclosed. The model therefore uses strong near-term growth but deliberately decelerates each case rather than assuming the backlog grows indefinitely.

4. Competitive dynamics

Americas competes across several overlapping markets rather than one uniform category. Schneider Electric and Eaton are major power-management competitors; Schneider also has a broad data-center architecture, software, and liquid-cooling portfolio. Johnson Controls and specialized thermal vendors compete in chillers and cooling. Legrand, Huawei, Delta Electronics, Stulz, Socomec, and other regional or product specialists compete in selected power, thermal, rack, or infrastructure categories. The competitive set can change within one project: a customer may buy power distribution from one vendor, cooling from another, and racks or controls from a third, or may prefer an integrated design.

Schneider is a particularly serious systems competitor. Its official materials describe integrated power management and liquid-cooling controls for NVIDIA-based architectures, liquid-cooling technologies acquired with Motivair, prefabricated modules, digital twins, software, and lifecycle services. Its September 2025 reference designs connected electrical infrastructure, cooling controls, and NVIDIA Mission Control, while its product announcements included scalable prefabricated pod architecture. This directly competes with Vertiv's claim that coordinated power, thermal, IT, controls, and service capabilities reduce deployment complexity. Sources: [Schneider Electric's integrated power and cooling reference designs](https://www.se.com/ww/en/about-us/newsroom/news/press-releases/schneider-electric-announces-new-reference-designs-featuring-integrated-power-management-and-liquid-cooling-controls-supporting-nvidia-mission-control-and-nvidia-gb300-nvl72-68ca8fdd5e6c6f9d3a096133/) and [Motivair liquid-cooling portfolio announcement](https://www.se.com/ww/en/about-us/newsroom/news/press-releases/Schneider-Electric-Unveils-Liquid-Cooling-Portfolio-with-Motivair-Featuring-Dedicated-Solutions-and-Services-for-HPC-and-AI-Workloads-68d69e595c9dbb622505caf3/).

Eaton is strongest where electrical distribution, power quality, circuit protection, and broader facility power architecture matter. Eaton's FY2025 filing said data-center end markets contributed to strength in both Electrical Americas and Electrical Global, evidence that Vertiv is competing against another well-capitalized incumbent benefiting from the same demand cycle. Eaton also has a broader electrical portfolio and customer base, which can matter when a customer wants equipment upstream of Vertiv's traditional power-quality position. Source: [Eaton FY2025 Form 10-K](https://www.sec.gov/Archives/edgar/data/1551182/000155118226000007/etn-20251231.htm).

Johnson Controls and other thermal specialists constrain the idea that liquid cooling belongs to one vendor. Johnson Controls markets data-center cooling, building controls, fire and security systems, and advanced chiller technology. Schneider's liquid-cooling push similarly demonstrates that capital and acquisitions are flowing toward the opportunity. As direct-to-chip cooling, coolant distribution, and facility heat rejection become more important, customers may value a complete stack—but they may also demand interoperability and dual sourcing to avoid dependence on one supplier.

Pricing power is strongest when equipment has been qualified, design changes would threaten schedule, service coverage is local, and the supplier can deliver capacity with low execution risk. It is weaker at bid stage, when multiple vendors can satisfy specifications, customers are large enough to demand terms, or supply expands faster than demand. Vertiv's FY2025 filing notes that large hyperscale, cloud, neocloud, and colocation customers may obtain favorable commercial terms. Customer concentration is not quantified, which prevents an evidence-based estimate of bargaining leverage.

Entry barriers include safety and reliability qualifications, engineering knowledge, installed-base familiarity, field-service coverage, global sourcing, manufacturing capacity, controls integration, and customer relationships. A new entrant can build an individual cooling component more easily than a complete, serviceable power-and-thermal architecture. Yet barriers are not absolute. Large electrical and building-controls incumbents already have brands, channels, engineering talent, balance sheets, and customer access. The moat is therefore a relative execution and integration advantage, not monopoly power.

Substitution risk comes in several forms. Server or chip designs may change power and cooling requirements. Customers may standardize around open architectures, buy components directly, or move integration to engineering firms and original equipment manufacturers. Alternative cooling architectures can shift value between cold plates, coolant distribution units, heat exchangers, chillers, and facility systems. On-site generation, medium-voltage architectures, and DC power can change the power train. The base case assumes Vertiv adapts and retains relevance; the bear case assumes faster standardization and intensified competition reduce both growth and margin.

5. Moat at the segment level

Americas has a defensible but conditional moat. The strongest protection is not any single product patent; it is the combination of engineering depth, installed base, customer qualification, field service, and the ability to coordinate power and thermal systems under severe uptime requirements. When infrastructure failure can interrupt expensive compute, demonstrated reliability and service responsiveness matter. A supplier that already understands a customer's standards and can repeat designs across campuses has an advantage over an unqualified entrant.

The second source is system integration. Management's description of unified power, cooling, IT, controls, and services addresses a real customer problem: interactions become more complex as rack density rises. The data package's technology roadmap—higher-density power architecture, multi-megawatt coolant distribution, expanded heat rejection, testing capability, racks, and modular infrastructure—suggests Vertiv is broadening its design envelope. Great Lakes, PurgeRite, BMarko, Strategic Thermal Labs, and ThermoKey can deepen the stack. If integration shortens customer deployment time or reduces performance risk, it can support price and share.

The third source is service density. A large field organization and installed base can lower response time and create recurring maintenance, upgrade, and spares demand. Service technicians also generate information about failure modes and customer needs. However, this appendix cannot quantify service economics by Americas because regional service revenue and retention are not disclosed. The moat claim is therefore qualitative and should be monitored through service growth, attachment, and customer outcomes if management later discloses them.

The moat's main weakness is replicability by other incumbents. Schneider has power, cooling, software, and services; Eaton has deep electrical capabilities; Johnson Controls has broad thermal and building infrastructure. These firms can acquire gaps, co-develop reference architectures, and invest in capacity. Customers may also insist on multiple approved suppliers. Vertiv's advantage must be renewed through technology, availability, reliability, and execution. A static installed base is not enough in a fast-changing architecture.

Over five to ten years, the moat should endure if three conditions hold: Vertiv remains designed into leading compute platforms; new capacity comes online without quality or cost deterioration; and the service network converts a larger installed base into repeat economics. It weakens if its solutions become commoditized, competitors close the integration gap, warranty or reliability problems emerge, or customers internalize integration. The forecast reflects a durable but narrowing growth advantage, not permanent extraordinary growth.

6. Historical growth rates

The table below reproduces only disclosed figures from the sealed data package. The Americas row is the only regional financial line appropriate for forecasting. The product and service rows are companywide disclosure context and are explicitly excluded from the Americas rollup because the issuer does not allocate them by geography.

Product / sub-segment	FY2023 revenue	FY2024 revenue	FY2025 revenue	FY2023-FY2025 annualized growth	Most recent YoY	Data package cite
Americas reportable segment	$3,844.5m [DP §3, geographic row Americas]	$4,500.6m [DP §3, geographic row Americas]	$6,386.3m [DP §3, geographic row Americas]	28.9% [DP §3, geographic row Americas; calculated]	29.2% in Q2 FY2026 [DP §3, latest-quarter note]	[FY2025 Form 10-K, segment note](https://www.sec.gov/Archives/edgar/data/1674101/000167410126000008/vrt-20251231.htm); [Q2 FY2026 earnings exhibit, regional results](https://www.sec.gov/Archives/edgar/data/1674101/000162828026050323/q22026exhibit991vrt07292026.htm)
Products, companywide context only	$5,406.1m [DP §3, revenue-class row Products]	$6,393.5m [DP §3, revenue-class row Products]	$8,390.6m [DP §3, revenue-class row Products]	24.6% [DP §3, revenue-class row Products; calculated]	23.0% on Q2 offering basis [DP §3, Q2 classification note]	[FY2025 Form 10-K, disaggregated revenue](https://www.sec.gov/Archives/edgar/data/1674101/000167410126000008/vrt-20251231.htm); [Q2 FY2026 earnings exhibit, sales by offering](https://www.sec.gov/Archives/edgar/data/1674101/000162828026050323/q22026exhibit991vrt07292026.htm)
Services and spares, companywide context only	$1,457.1m [DP §3, revenue-class row Services and spares]	$1,618.3m [DP §3, revenue-class row Services and spares]	$1,839.3m [DP §3, revenue-class row Services and spares]	12.4% [DP §3, revenue-class row Services and spares; calculated]	28.6% on Q2 offering basis [DP §3, Q2 classification note]	[FY2025 Form 10-K, disaggregated revenue](https://www.sec.gov/Archives/edgar/data/1674101/000167410126000008/vrt-20251231.htm); [Q2 FY2026 earnings exhibit, sales by offering](https://www.sec.gov/Archives/edgar/data/1674101/000162828026050323/q22026exhibit991vrt07292026.htm)

Arithmetic checks: Americas $3,844.5m × 1.171 = approximately $4,500.6m, and $4,500.6m × 1.419 = approximately $6,386.3m. Products $5,406.1m × 1.183 = approximately $6,393.5m, then $6,393.5m × 1.312 = approximately $8,390.6m. Services and spares $1,457.1m × 1.111 = approximately $1,618.3m, then $1,618.3m × 1.137 = approximately $1,839.3m. All row checks are within 2%. There are no back-solved historical dollars in this appendix.

The table's strongest signal is that Americas growth was already exceptional before the forecast anchor. The 28.9% annualized FY2023-FY2025 pace and 41.9% FY2025 growth are too high to treat as a terminal rate. Q2 FY2026 growth of 29.2% confirms ongoing momentum but also provides a natural starting point for deceleration. The companywide product/service context suggests hardware still dominates dollars while services can contribute resilience, but it does not justify applying companywide mix percentages to Americas.

7. Management guidance and source-bound anchors

Management does not provide numeric Americas revenue, margin, orders, or backlog guidance. That absence is important: the near-term segment path must be inferred from reported regional results and bounded by companywide guidance, not presented as a management target.

- **Consolidated demand, Q3 FY2025 call, October 22, 2025:** Management reported trailing-twelve-month organic orders growth of about 21%, with Q3 orders up 60% year over year and 20% sequentially. Source: [data package §7, Consolidated demand row](./data_package.md). Interpretation: the order acceleration preceded the large Q4 step-up and supports strong near-term conversion. It does not reveal Americas orders or cancellation terms.

- **Consolidated visibility, Q4 FY2025 call, February 11, 2026:** Management said the pipeline continued to grow even after the large Q4 order intake. Source: [data package §7, Consolidated visibility row](./data_package.md). Interpretation: demand visibility remained favorable after the approximately $15 billion backlog disclosure. Pipeline is not backlog or revenue, so it cannot be used as a numeric conversion schedule.

- **Capacity, Q3 FY2025 call, October 22, 2025:** Management expected to accelerate investment in supply-chain and services capabilities and capacity to stay ahead of customers' evolving requirements and timelines. Source: [data package §7, Consolidated capacity row](./data_package.md). Interpretation: near-term growth requires reinvestment and supports the higher capex and inventory profile. It also creates execution and return-on-capital risk.

- **Capacity timing, Q1 FY2026 call, April 22, 2026:** Management emphasized adding capacity and indicated that much of it would begin contributing in the second half. Source: [data package §7, Q1 capacity row](./data_package.md). Interpretation: additional capacity supports the high first forecast-year growth assumption, while ramp inefficiency helps explain why margin does not expand immediately.

- **Americas/global AI demand, Q2 FY2026 release, July 29, 2026, Giordano Albertazzi:** "This quarter reflects the compounding effect of years of deliberate investment in technology, capacity, and customer partnerships." Source: [data package §7, Americas/global AI demand row](./data_package.md). Interpretation: the comment is consistent with Americas-led reported growth but is not numeric segment guidance.

- **Americas/global AI demand, Q2 FY2026 release, July 29, 2026, Giordano Albertazzi:** "Demand for AI and general compute continues to intensify" and pipelines continue to strengthen. Source: [data package §7, Americas/global AI demand row](./data_package.md). Interpretation: the secular driver is broadening beyond training-only AI, but no pipeline size or conversion is disclosed.

- **System portfolio, May 2026 investor conference:** Vertiv delivers end-to-end infrastructure engineered as a unified system across power, cooling, IT, controls, and services. Source: [data package §7, System portfolio row](./data_package.md). Interpretation: system architecture is the core competitive and moat thesis. It must ultimately be evidenced by share, growth, margin, and customer outcomes.

- **Current companywide FY2026 guidance:** Q2 guidance calls for $13.8-$14.2 billion of sales and 30%-32% organic growth, with adjusted operating margin of 23.3%-24.3%. Source: [data package §5, issuer guidance table](./data_package.md). Interpretation: the midpoint supports a very strong near-term consolidated outlook. It is adjusted and companywide; it cannot be copied into Americas **Operating profit (loss)** margin.

[DATA GAP: Numeric Americas orders, backlog, book-to-bill, FY2026 revenue guidance, and FY2026 Operating profit (loss) guidance are not disclosed in the sealed package.]

8. Forward growth assumptions

The three cases use one disclosed financial line, Americas. “Product” in these tables means the reportable segment modeling line, not an invented power or cooling allocation. The year-by-year paths make the implied deceleration visible and compound exactly from the $7,483.9 million TTM base to June 30, 2031.

Base-case growth

Product	Historical growth	Latest YoY	Management FY+1 guide	Base CAGR TTM to TTM+5y	Justification
Americas reportable segment	28.9% FY2023-FY2025 annualized [DP §3]	29.2% Q2 FY2026 [DP §3]	No segment guide; company organic 30%-32% [DP §5]	13.22%	Growth steps down 24%, 17%, 12%, 8%, and 6% as backlog converts, capacity comes online, and scale increases. Continued AI/general compute and service demand support above-industrial growth, while a larger base and stronger competition force normalization.

The base case assumes the demand wave is real but not permanent. A 24% first forecast-year growth rate is below the latest 29.2% regional quarter and companywide 30%-32% organic guide, allowing for the 2026 guide already being partly captured in the TTM base. Growth then decelerates in five explicit steps. The path is less abrupt than an immediate drop to a mature rate because backlog, pipeline, capacity additions, and long project cycles provide visibility. By year five, 6% growth is still healthy for physical infrastructure but no longer depends on extraordinary order intake.

Bull-case growth

Product	Historical growth	Latest YoY	Management FY+1 guide	Bull CAGR TTM to TTM+5y	Justification
Americas reportable segment	28.9% FY2023-FY2025 annualized [DP §3]	29.2% Q2 FY2026 [DP §3]	No segment guide; company organic 30%-32% [DP §5]	18.66%	Growth runs 28%, 22%, 18%, 14%, and 12% as power density, liquid cooling, modular deployments, and service attach expand revenue per compute deployment. Vertiv executes capacity additions and holds system relevance despite incumbent investment.

The bull case is not a continuation of FY2025’s 41.9% growth. It begins near the latest Q2 pace, then decelerates every year. The critical difference is duration: a multiyear transition to denser power and liquid cooling expands content per site, while Vertiv’s system integration, acquisitions, and field service sustain share. This path requires strong execution and no major demand digestion. It also assumes customers do not materially dual-source away from Vertiv as competitors scale their own offerings.

Bear-case growth

Product	Historical growth	Latest YoY	Management FY+1 guide	Bear CAGR TTM to TTM+5y	Justification
Americas reportable segment	28.9% FY2023-FY2025 annualized [DP §3]	29.2% Q2 FY2026 [DP §3]	No segment guide; company organic 30%-32% [DP §5]	4.05%	Growth falls to 15%, 5%, 0%, 0%, and 1% as backlog conversion gives way to digestion, project rescheduling, duplicate reservations, pricing pressure, and capacity under-absorption. The installed base and services prevent a five-year revenue contraction.

The bear case still grows in year one because the reported TTM base, companywide guide, and late-2025 backlog make an immediate collapse a poor central downside. The break occurs after conversion: customers pause new commitments, deployment schedules stretch, and added industry capacity intensifies pricing. Flat revenue in years three and four represents a realistic cyclical digestion rather than a permanent secular collapse. A 1% fifth-year recovery recognizes replacement and service demand.

The implied paths are shown below for auditability.

Case	TTM base	Year 1	Year 2	Year 3	Year 4	TTM+5y
Bear revenue	$7,483.9m	$8,606.5m	$9,036.8m	$9,036.8m	$9,036.8m	$9,127.2m
Base revenue	$7,483.9m	$9,280.0m	$10,857.6m	$12,160.6m	$13,133.4m	$13,921.4m
Bull revenue	$7,483.9m	$9,579.4m	$11,686.9m	$13,790.5m	$15,721.2m	$17,607.7m

9. Forward Operating profit (loss) margin assumptions

The starting point is the exact TTM Americas **Operating profit (loss)** margin of $2,131.6 million divided by $7,483.9 million, or 28.48%. The metric is the issuer-disclosed segment basis. Corporate and other, foreign currency, and intangible amortization remain outside this segment model and must be projected once in synthesis.

Base-case Operating profit (loss) margin

Modeled line	TTM margin	TTM+5y margin	Change	Mechanism
Americas reportable segment	28.48%	29.50%	+102 bps	Modest service and system mix, purchasing leverage, engineering reuse, and factory absorption outweigh competitive pricing and continued capacity investment.

The base case allows only a little more than 100 basis points of expansion over five years after a very large historical step-up. Margin progression is 28.5%, 28.7%, 29.0%, 29.3%, and 29.5% across the five forecast years. The mechanism is cumulative rather than abrupt: new factories and acquired capabilities first absorb ramp costs, then the installed base, service activity, procurement scale, and repeat system designs provide leverage. The model does not assume product-line gross margins that the company has not disclosed.

Bull-case Operating profit (loss) margin

Modeled line	TTM margin	TTM+5y margin	Change	Mechanism
Americas reportable segment	28.48%	31.00%	+252 bps	High utilization, integrated system mix, service attach, disciplined pricing, acquisition synergies, and low execution friction support sustained incremental margins.

The bull path is 29.0%, 29.6%, 30.2%, 30.7%, and 31.0%. A gain above 100 basis points requires several specific mechanisms to work together. Added capacity must fill quickly enough to absorb fixed cost; integrated power and thermal systems must command value; field services must scale with the installed base; acquisitions must expand capability without duplicative overhead; and reliability must protect pricing. Even then, the 31% terminal margin is capped because global incumbents are investing against the same opportunity and large customers retain bargaining power.

Bear-case Operating profit (loss) margin

Modeled line	TTM margin	TTM+5y margin	Change	Mechanism
Americas reportable segment	28.48%	22.50%	-598 bps	Project digestion, under-utilized capacity, price competition, unfavorable mix, inventory and rework costs, and weaker absorption reverse much of the recent margin gain.

The bear path is 27.0%, 25.0%, 23.5%, 22.5%, and 22.5%. The decline is not a plug. Revenue growth slows after capacity, inventory, and acquisition commitments have been made, reducing absorption. Competitors use expanded supply and broader bundles to pressure bids. Customers reschedule projects or demand concessions. Mix shifts away from scarce, engineered configurations, while service cannot offset the decline. The terminal 22.5% remains above FY2023’s 19.8% current-basis margin because the segment has accumulated scale, an installed base, and a broader portfolio.

10. Segment rollup

Because Americas product dollars are not disclosed, the bottom-up rollup has one financial line. The line is nevertheless fully reconstructable from the growth and margin paths above; no separate segment total is imposed from the top down.

Case	Modeled line	TTM revenue	TTM+5y revenue	TTM+5y Operating profit (loss) margin	TTM+5y Operating profit (loss)
Bear	Americas reportable segment	$7,483.9m	$9,127.2m	22.50%	$2,053.6m
Base	Americas reportable segment	$7,483.9m	$13,921.4m	29.50%	$4,106.8m
Bull	Americas reportable segment	$7,483.9m	$17,607.7m	31.00%	$5,458.4m

Arithmetic tie-outs: bear $9,127.2 million × 22.50% = $2,053.6 million; base $13,921.4 million × 29.50% = $4,106.8 million; bull $17,607.7 million × 31.00% = $5,458.4 million. Each total equals the sole disclosed modeling line, so product-to-segment reconciliation residual is zero. The calculations use unrounded internal revenue before rendering, with displayed values rounded to $0.1 million.

The scenario spread is deliberately wide. Base 2031 revenue is 1.86 times the TTM base, while bull is 2.35 times and bear is 1.22 times. Base **Operating profit (loss)** nearly doubles because revenue compounds at 13.22% and margin expands modestly. Bull profit grows more rapidly through both higher revenue and margin, whereas bear profit ends below the TTM starting value despite higher revenue because margin compression outweighs the sales increase. That asymmetry is important for consolidated underwriting: Americas downside is not merely slower sales; it is the interaction between a capacity build and weaker absorption.

These profit amounts remain segment figures. They must not be treated as statutory operating income. The sealed TTM bridge subtracts foreign currency, corporate and other, and intangible amortization after combining all three segments. Synthesis must apply those lines once, then interest, other non-operating items, and tax. No part of this appendix authorizes allocating those adjustments to Americas.

11. Key risks and wildcards

Backlog quality and conversion timing — bear/base. The approximately $15.0 billion companywide FY2025 backlog and approximately 2.9x Q4 book-to-bill indicate unusual demand, but current regional backlog, cancellation provisions, geographic mix, delivery dates, and embedded margins are unavailable. A long-duration backlog can support growth while also masking schedule concentration. If customers reserved capacity with multiple vendors or projects wait on utility interconnection, the revenue path can shift right even without final demand destruction.

AI capital-spending cycle — all cases. Americas is highly exposed to hyperscale, cloud, neocloud, and colocation investment. The bull case assumes dense accelerated computing remains capital intensive and creates more power and thermal content per project. The bear case assumes a digestion period after extraordinary orders. Better model efficiency does not automatically reduce infrastructure demand, but a pause in campus construction or constraints in grid availability can slow recognized revenue.

Capacity ramp and under-absorption — bear/base. Factories, labs, inventory, and acquisitions are being added ahead of demand. Successful ramps can improve availability and market share. Delays, quality issues, labor constraints, supplier shortages, or demand normalization can leave fixed cost and working capital under-utilized. The bear margin path explicitly reflects this mechanism.

Inventory and cash conversion — bear. Q2 FY2026 inventory of $2,522.7 million is a companywide figure and cannot be assigned to Americas, but the region’s scale makes it relevant. Inventory can protect schedules, yet also creates obsolescence, reconfiguration, discounting, and cash risk. The model does not infer that every inventory dollar belongs to committed backlog.

Competitive convergence — bear/base. Schneider, Eaton, Johnson Controls, and specialists are investing in power, thermal management, liquid cooling, controls, and modular systems. Competitors can acquire capability and use broader bundles. Customers can approve multiple suppliers. The bull case requires Vertiv to sustain design relevance and service execution; the bear case assumes price pressure and share leakage.

Technology architecture — bull/bear. Higher rack density can materially expand cooling and power content, but exact architectures remain fluid. Direct-to-chip liquid cooling still requires facility heat rejection and may coexist with air cooling, creating opportunity. Conversely, standardization, open designs, or supplier integration at the server level could shift value away from Vertiv. The company’s roadmap must translate into qualifications and production orders, not just capability claims.

Customer bargaining and concentration — bear. The filing says large hyperscale, cloud, neocloud, and colocation customers represent a material portion of business and can seek favorable terms, but names and percentages are not disclosed. This prevents quantitative concentration stress testing. Large projects can magnify both utilization and negotiation risk.

Acquisition integration — all cases. PurgeRite, Great Lakes, BMarko, Strategic Thermal Labs, and ThermoKey broaden the system portfolio. The bull case assumes technical cross-selling and faster delivery. The bear case assumes integration cost, duplicated systems, quality issues, or slower return on capital. Segment **Operating profit (loss)** may reflect operating benefits, while acquisition amortization remains a consolidated bridge item.

Service monetization — bull/base. A larger installed base and field-service network could create durable maintenance, spares, upgrades, and retrofit revenue. This is an upside wildcard because regional attachment and retention are not disclosed. The model uses service only as a qualitative support, avoiding an unsupported high-margin annuity estimate.

Tariffs, trade, and localization — bear/base. Americas manufacturing and supply chains are exposed to changing trade policy, component sourcing, freight, and localization requirements. Local capacity may reduce some lead-time risk but can increase cost during ramp. Fixed-price or long-cycle commitments can delay recovery of adverse input costs.

Reliability and warranty — bear. Power and cooling failures can be expensive for customers and damaging to supplier reputation. Liquid-cooling systems introduce leak management, commissioning, and thermal-control complexity. A quality event could generate warranty expense, qualification delays, and share loss precisely when the market is scaling.

Grid and site constraints — bear/base. Customer demand for compute can remain strong while utility interconnections, permitting, transformers, water, or construction schedules delay facility completion. Vertiv’s equipment may be ordered early, but revenue recognition depends on contractual and delivery milestones. The scenario paths distinguish demand visibility from guaranteed timing.

Margin-measure confusion — all cases. The exact segment measure is **Operating profit (loss)**. It is not adjusted operating profit and not statutory operating income. Applying companywide adjusted margin to Americas, or skipping corporate and amortization lines, would overstate consolidated earnings. This is an accounting-model risk rather than an operating risk, but it can materially distort valuation.

Data gaps retained as explicit limits

- [DATA GAP: Americas product and services revenue are not separately disclosed; no regional product mix is estimated.]
- [DATA GAP: Americas product-line profitability, gross margin, units, ASP, utilization, and standardized capacity are not disclosed.]
- [DATA GAP: Numeric Q1 and Q2 FY2026 orders, backlog, and book-to-bill are unavailable in the sealed package.]
- [DATA GAP: Current Americas backlog and customer concentration are not disclosed.]
- [DATA GAP: Regional service attachment, renewal, retention, and installed-base revenue are not disclosed.]

Summary

Case	Segment TTM+5y Revenue	Exact profit metric	Segment TTM+5y Profit Margin	Segment TTM+5y Profit	Probability
Bear	$9,127.2m	Operating profit (loss)	22.50%	$2,053.6m	25%
Base	$13,921.4m	Operating profit (loss)	29.50%	$4,106.8m	50%
Bull	$17,607.7m	Operating profit (loss)	31.00%	$5,458.4m	25%

The 25% bear / 50% base / 25% bull weights are intentionally non-uniform. The base receives the highest weight because the Stage 1 sweep contained no red disqualifier, the latest regional revenue trend remained strong, and management's demand and capacity tone remained constructive. The bear still receives 25% because backlog-conversion quality, customer concentration, capacity absorption, and inventory normalization are unresolved; the bull receives 25% because sustaining double-digit growth through year five requires unusually durable AI-infrastructure investment and continued share retention against well-capitalized incumbents.

Americas is the engine of Vertiv’s current earnings profile. The evidence supports a powerful near-term demand and capacity cycle, a meaningful system-integration proposition, and a segment margin that has improved materially on the current reporting basis. It does not support extrapolating FY2025 growth indefinitely, inventing regional product splits, or treating backlog as guaranteed revenue. The base case therefore compounds revenue at 13.22% for exactly five years and adds only 102 basis points of margin. The bull case requires sustained architecture relevance and flawless capacity execution; the bear case assumes a post-backlog digestion that compresses margin enough to leave 2031 segment profit below the TTM starting level. That is the key asymmetry the consolidated synthesis should preserve.

Appendix B2 - Asia Pacific

Asia Pacific — Segment Deep Dive

Company: Vertiv Holdings Co **Segment:** Asia Pacific **Forecast base:** TTM ended June 30, 2026 **Exact horizon:** June 30, 2031, exactly 5.0 calendar years **Currency and scale:** USD millions unless otherwise stated **Sealed segment-profit basis: Operating profit (loss) Data package SHA-256:** `3999887b9bda6ef9b4e9bdddcc6a5f80ad91a34503449b670a396e4737e761f36` **Statutory bridge SHA-256:** `c740adfd22f373f6a849bc4ada925c32cdcf7bcb3ab4fbd21a8fdf95838ef433` **Quote packet SHA-256:** `a812be65b0c6315cc732fee8d1122a9ab250fc5ce666bfaed71f1529e722934e`

This appendix is a segment forecast, not a trade instruction, ranking, or position-sizing recommendation. It forecasts Asia Pacific only on Vertiv's issuer-disclosed **Operating profit (loss)** basis. Corporate and other, foreign-currency effects, intangible amortization, interest, other non-operating items, and tax remain outside this segment model and must be projected once in the combined statutory synthesis. `trade_execution_authorized=false`.

0. Segment boundary and taxonomy note

Asia Pacific is one of Vertiv's three geographic reportable segments, alongside Americas and Europe, Middle East & Africa. The geographic revenue boundary is stable enough for five-year sales comparisons, but the segment-profit allocation was recast. The FY2025 Form 10-K reclassified prior-period operating-profit amounts to the current presentation, which incorporates allocations of engineering, research and development, information technology, and certain significant expenses. Consequently, **FY2023 is the current-basis boundary for profit and margin comparisons**. This appendix uses FY2023-FY2025 and the latest four quarters for **Operating profit (loss)** trends; it does not splice legacy FY2021-FY2022 profit figures into the current series. Revenue history can be compared across FY2021-FY2025. [data_package §3, taxonomy warning and Asia Pacific rows]

There is a second boundary that matters analytically. Vertiv discloses products and services and spares at the consolidated level, but it does not disclose those revenue classes inside Asia Pacific, nor does it disclose Asia Pacific sales for power management, thermal management, IT systems, or infrastructure solutions. Product-line profit is also not disclosed. The financial model therefore has one auditable line—**Asia Pacific segment total**—rather than a fabricated regional product mix. Portfolio categories are used as business-driver context only.

1. What this segment actually is

Asia Pacific sells, installs, commissions, and services the physical infrastructure that keeps data centers, communication networks, and selected commercial and industrial facilities powered, cooled, connected, monitored, and available. The customer is not buying compute silicon from Vertiv. It is buying the enabling layer around the compute: uninterruptible power supply and distribution, thermal management, racks and integrated IT infrastructure, controls, prefabricated modules, and lifecycle services and spares. In AI and high-performance-computing deployments, those elements must work as a coordinated system because rack density, dynamic electrical load, heat rejection, water chemistry, commissioning, and uptime interact.

The regional customer set spans hyperscale and cloud operators, colocation providers, neoclouds, enterprises, telecommunications networks, and commercial or industrial sites. The larger AI deployments are complex projects rather than simple catalog sales. Vertiv can participate at design and specification, sell equipment directly or through channel and integration partners, assemble or test systems near the end market, support deployment, and then provide field service, spares, monitoring, upgrades, and maintenance. Approximately 5,300 field service engineers companywide and about 300 locations in more than 40 countries demonstrate the global service platform, although the data package does not disclose Asia Pacific headcount or site count. [data_package §4, hardware and capacity indicator rows]

The economic transaction varies by offering. Standardized power or thermal products can be priced per unit or system. Larger modular builds, power skids, coolant-distribution units, and integrated white-space infrastructure are project-priced, often with engineering, testing, delivery, and commissioning embedded. Services can be recurring under maintenance contracts, scheduled lifecycle work, emergency response, or spares. This produces a blend of equipment revenue, project execution, and aftermarket economics. The absence of regional product and service dollars means the mix cannot be quantified for Asia Pacific, but it remains important to the direction of margin and cash conversion.

Regional proximity is part of the proposition. Vertiv opened an approximately 236,000-square-foot manufacturing facility in Johor, Malaysia, in July 2026 to support Southeast Asia, North Asia, Australia, and New Zealand. The site provides manufacturing, assembly, witness testing, and validation for thermal, power, and integrated infrastructure, with full operation targeted for 2027. Vertiv says it can test coolant-distribution units and multiple power modules or skids and can support up to 500 skilled jobs. The operating relevance is shorter logistics, regional qualification and testing, improved supply-chain resilience, and potentially faster time to capacity—not a disclosed increment to sales or margin. [Vertiv's July 2026 Johor announcement](https://www.vertiv.com/en-anz/about/news-and-events/news-releases/2026/vertiv-opens-johor-manufacturing-facility-to-support-growing-demand-for-ai-and-digital-infrastructure-across-asia/) and [data_package §4, capacity actions]

2. Current economics

Asia Pacific generated **$2,245.4 million** of revenue and **$280.2 million** of **Operating profit (loss)** in the TTM ended June 30, 2026, for a **12.5%** margin using displayed rounding. The exact calculated margin is 12.48%. The segment represented **19.6%** of the three segments' TTM revenue and **10.1%** of their TTM operating profit, indicating a materially lower profit conversion than Americas and EMEA. The gap is economically important: APAC is not simply a smaller copy of the 28.5%-margin Americas segment. [data_package §3, latest-four-quarters TTM row; data_package §3a, TTM bridge Asia Pacific row]

The latest quarter was strong. Q2 FY2026 Asia Pacific revenue was **$719.9 million**, up **28.5% year over year**, and the segment margin was **13.3%**. That was the highest revenue quarter in the four-quarter schedule and followed revenue of $519.8 million in Q3 FY2025, $492.0 million in Q4 FY2025, and $513.7 million in Q1 FY2026. Quarterly margins were 13.2%, 9.9%, 13.1%, and 13.3%, respectively. The Q4 trough and Q2 rebound demonstrate that project and mix timing can move profitability even when the demand environment is favorable. [data_package §3, latest-four-quarters Asia Pacific columns; data_package §3, Q2 regional growth discussion]

Annual sales were $1,609.0 million in FY2021, $1,601.3 million in FY2022, $1,527.8 million in FY2023, $1,717.8 million in FY2024, and $2,019.2 million in FY2025. The path contains a real trough rather than a smooth compounder: revenue contracted through FY2023 before accelerating 12.4% in FY2024 and 17.6% in FY2025. On the comparable profit basis, margin improved from 9.6% in FY2023 to 10.2% in FY2024 and 11.0% in FY2025, then 12.5% at TTM. That is evidence of improving scale, mix, or execution, but only across a short current-basis history. [data_package §3, geographic segment and current-basis economics, Asia Pacific rows]

Capital intensity is not disclosed by segment. Companywide property capex rose from $73.4 million in FY2021 to $220.0 million in FY2025, and FY2026 capex guidance is approximately 4.0% of sales. Inventory reached $2,522.7 million at Q2 FY2026 versus $1,456.5 million at FY2025, while the company is adding factories, labs, and acquisition-sourced capability. APAC's Johor opening establishes that some growth capital is regional, but neither its capital cost nor expected output is disclosed. The model therefore treats capacity as a driver and risk, not as a segment-level return-on-capital calculation. [data_package §§2, 4, and 5]

[DATA GAP: Asia Pacific products versus services and spares revenue, power versus thermal versus IT-system revenue, product-line profit, units, ASP, utilization, current nameplate capacity, customer concentration, and current regional backlog are not disclosed. The official search inventory is documented in data_package §§0a, 4, and 8.]

3. Unit economics

Asia Pacific converts revenue to **Operating profit (loss)** through four linked economic layers: equipment value, engineering and project execution, manufacturing and sourcing, and lifecycle support. Revenue growth alone is not sufficient. A larger order book produces attractive profit only if Vertiv prices risk correctly, secures components, builds and tests on time, avoids site rework, and manages warranty exposure.

The first layer is product and architecture value. UPS, power distribution, thermal systems, coolant-distribution units, racks, controls, and modular infrastructure protect uptime and enable denser compute. Failure costs for a customer can be far larger than the equipment price, creating willingness to pay for reliability, qualification, and support. High-density AI infrastructure increases engineering content because power and cooling must be sized together. This can support price and mix, but sophisticated hyperscalers and colocation customers also possess procurement leverage and can demand favorable commercial terms; Vertiv's FY2025 filing identifies those customer groups as material without quantifying concentration. [data_package §4, customer and end-market disclosure]

The second layer is project execution. Large systems require configuration, factory acceptance or witness testing, logistics, installation coordination, commissioning, and sometimes integration with third-party equipment. Prefabrication can reduce

field labor and schedule risk, which is valuable when customers are racing to energize capacity. Vertiv states that its Power Module and Power Skid can accelerate deployment versus traditional builds and that SmartRun can reduce on-site deployment time, but these are product capability claims rather than disclosed realized margin. Johor's testing environment may reduce freight, rework, and cycle time if utilized well. Conversely, bespoke engineering, customer schedule changes, liquid-cooling cleanliness problems, or late redesigns can turn nominally high-value backlog into low-margin work.

The third layer is manufacturing, procurement, and utilization. Local production can lower freight and tariff exposure, shorten lead times, and match configuration to regional standards. Margin should rise as a factory absorbs fixed costs and throughput grows, but only after start-up costs and learning curves. The data package does not disclose Johor utilization or nameplate capacity, so this appendix does not assume immediate full absorption. Component availability and commodity costs remain important. Power electronics, switchgear, batteries, heat exchangers, compressors, pumps, controls, and fabricated structures each carry supply and quality risks. The companywide inventory build may protect delivery, but excess or wrong-specification stock can create obsolescence and working-capital costs.

The fourth layer is service and spares. Installed equipment requires monitoring, preventive maintenance, emergency response, replacement parts, retrofits, coolant management, and upgrades. Service revenue often has greater recurrence and can deepen the customer relationship. A larger installed base should create a longer-duration opportunity beyond initial construction, although the company discloses no APAC installed-base count, service attachment, renewal rate, or segment service mix. The base margin case assumes only gradual benefit from this flywheel, not a sudden shift to software-like economics.

The current margin trajectory provides the empirical constraint. Comparable **Operating profit (loss)** margin rose 290 basis points from 9.6% in FY2023 to 12.5% at TTM. The latest four quarters include a 9.9%-to-13.3% range, warning against reading one quarter as structural. Margin can rise through higher facility utilization, pricing retained against input costs, prefabricated and integrated-system mix, local sourcing, better service attachment, and project execution. It can fall through new-factory under-absorption, price competition, customer bargaining power, lower-margin large projects, warranty or commissioning expense, wage and logistics inflation, acquisition integration, and FX-related transaction pressure that may manifest within segment economics even though the sealed bridge separately preserves the disclosed corporate foreign-currency line.

4. Competitive dynamics

Asia Pacific is intensely competitive because the addressable system crosses several equipment categories. Schneider Electric competes in secure power, electrical distribution, cooling, racks, and data-center architecture. Its FY2025 results said data-center demand accelerated sharply, with uptake in UPS, racks, cooling, and electrical panels and growth in parts of Asia Pacific. [Schneider Electric FY2025 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) Eaton competes particularly in electrical distribution and UPS; its 2025 annual report highlights a 1.5 MW three-phase UPS and power-distribution technologies aimed at data centers. [Eaton 2025 annual report](https://www.eaton.com/content/dam/eaton/company/investor-relations/annual-report/eaton-2025-annual-report.pdf)

APAC-based vendors make the regional contest more difficult. Delta Electronics describes a portfolio spanning power, air and liquid cooling, networking, management software, and system integration, with liquid cooling a key 2025 growth driver. [Delta's 2025 business review](https://www.deltaww.com/en-US/investors/chairman-statement) Huawei Digital Power markets integrated PowerPOD, UPS, modular data-center, fan-wall, and liquid-cooling systems and demonstrated them at Data Centre World Asia in Singapore. [Huawei Data Centre World Asia 2025 release](https://digitalpower.huawei.com/en/news/data-center-facility/dcwa2025) Thermal specialists and local engineering firms can compete on individual cooling scopes, while switchgear, electrical, battery, and controls vendors can enter through contractors or customer-standardized supply chains.

No reliable current Asia Pacific market-share percentage is disclosed in the sealed data package, and Vertiv does not provide APAC share by power, cooling, or integrated infrastructure. Because category definitions vary and the segment includes mature and emerging countries, a single percentage would create false precision. The defensible context is that Vertiv participates across the stack but faces well-capitalized global and regional competitors in every layer. [DATA GAP: no source-bound Asia Pacific market-share percentage or vendor-ranking series is available in the verified package.]

Pricing power is strongest where reliability, validated architecture, delivery speed, and installed-base support matter more than the initial equipment price. A customer that has standardized on a qualified UPS, thermal architecture, controls layer, or service procedure incurs design, testing, and training costs to change suppliers. Vertiv can also bundle power and cooling,

potentially reducing interface risk. Pricing power is weakest for standardized equipment with multiple qualified vendors, for very large buyers able to dual-source, and when factories add capacity faster than regional projects become ready.

Entry barriers are meaningful but not absolute. Mission-critical reliability requires engineering know-how, certifications, references, service coverage, product availability, factory testing, and the balance sheet to support large projects. Liquid cooling adds fluid-quality, leak prevention, controls, and chip-to-facility integration. Yet the presence of Schneider, Eaton, Delta, Huawei, and specialists proves that the market is not winner-take-all. Technology can also shift the value pool: direct-current architectures, server-vendor integration, standardized modular designs, and customer-designed systems may favor different suppliers.

The structural demand setting is favorable but capacity-constrained. Singapore's Green Data Centre Roadmap targets at least 300 MW of additional near-term capacity and emphasizes energy efficiency and liquid cooling. [Singapore IMDA Green Data Centre Roadmap](https://www.imda.gov.sg/resources/press-releases-factsheets-and-speeches/factsheets/2024/charting-green-growth-for-data-centres-in-sg) Malaysia has established sustainability guidelines focused on energy and water efficiency, renewable energy, and qualifying investment. [Malaysia MIDA data-center infrastructure overview](https://www.mida.gov.my/sustainable-infrastructure-local-impact/) Japan's government identifies rising AI and communications demand and the need to coordinate electricity and telecommunications infrastructure for data-center development. [Japan METI watt-bit collaboration report](https://www.meti.go.jp/english/press/2025/0612_001.html) Australia expects data-center developers to fund grid connection and renewable supply and support demand flexibility, showing that demand exists but energization is not automatic. [Australian government data-center expectations](https://minister.dcceew.gov.au/bowen/media-releases/joint-media-release-australian-approach-ai-expectations-data-centres-deliver-australians)

5. Moat at the segment level

Asia Pacific has a credible but not impregnable moat. The strongest element is an installed-base and service relationship moat. Critical equipment remains in operation for years, is embedded in operating procedures, and requires maintenance, spares, emergency response, and upgrades. Familiarity with the installed architecture can reduce customer downtime risk and make incumbent service relationships sticky. The moat is stronger when service response is local and technicians understand site-specific systems; it is weaker where a customer self-maintains or multi-sources standardized equipment.

The second element is system-level engineering. AI facilities increasingly require coordinated decisions across power conversion, power distribution, thermal management, fluid loops, racks, controls, and deployment. A supplier that can validate the complete design can reduce integration failure and shorten commissioning. Vertiv's positioning across power, cooling, IT infrastructure, controls, and services supports this advantage. Johor's assembly and witness-testing capability makes the argument more tangible in Asia. However, Schneider, Huawei, and Delta also market integrated solutions, so breadth is a prerequisite rather than a unique monopoly.

The third element is qualification and reputation. Data-center outages are expensive, and operators value demonstrated reliability. Specifications, consultant relationships, reference designs, factory acceptance, and prior deployments can narrow the vendor pool. This creates switching friction, especially in repeat builds. Yet hyperscalers can design their own architectures, qualify several suppliers, and use their scale to reduce dependency. The same customers that value trusted execution can deliberately preserve competition.

The fourth element is local manufacturing plus global sourcing. A regional factory can improve responsiveness and resilience; a global network can shift production and procurement during disruption. That combination may matter in an APAC footprint spanning multiple standards, languages, climates, currencies, and trade regimes. But a new plant is not itself a moat. It becomes one only if utilization, quality, lead time, and customer validation outperform alternatives. The Johor facility's ramp through 2027 therefore remains an execution test.

The moat should be judged by outcomes: sustainable share, service attachment, price realization, project quality, and **Operating profit (loss)** margin through a cycle. The current-basis margin improved from 9.6% in FY2023 to 12.5% at TTM, which is encouraging, but it remains far below Americas. That may reflect mix, scale, geography, or competitive intensity. Until Vertiv discloses regional product mix and the margin remains resilient after capacity normalizes, the prudent conclusion is a **moderate segment moat**, not a proven wide moat.

Over five to ten years, the moat strengthens if Vertiv becomes a default system partner for successive generations of AI power and cooling, expands service attachment, reuses validated designs, and operates Johor at high quality and utilization. It erodes if components commoditize, customers internalize architecture, regional competitors close performance gaps, or Vertiv wins large projects mainly through price. The forecast therefore allows margin expansion in base and bull cases but

caps the 2031 bull margin well below today's Americas level.

6. Historical growth rates

The historical table reproduces the verified Asia Pacific segment row. No product-level regional dollar series exists, so no back-solved product figures are used. The “FY2023-FY2025 CAGR” is the two-interval CAGR across the three displayed fiscal-year observations, calculated mechanically from the cited FY2023 and FY2025 values.

Product / sub-segment	FY2023 revenue	FY2024 revenue	FY2025 revenue	FY2023-FY2025 CAGR (2 intervals)	Most recent YoY	Data package cite
Asia Pacific segment total; product split not disclosed	$1,527.8m [data_package §3, geographic net sales, Asia Pacific row]	$1,717.8m [data_package §3, geographic net sales, Asia Pacific row]	$2,019.2m [data_package §3, geographic net sales, Asia Pacific row]	15.0% [calculated from data_package §3, same row]	28.5% in Q2 FY2026 [data_package §3, Q2 regional growth paragraph]	data_package §3, Asia Pacific rows

The longer revenue context is important because the recent acceleration follows a trough.

Revenue history	FY2021	FY2022	FY2023	FY2024	FY2025	FY2021-FY2025 CAGR
Asia Pacific	$1,609.0m [data_package §3, Asia Pacific row]	$1,601.3m [data_package §3, Asia Pacific row]	$1,527.8m [data_package §3, Asia Pacific row]	$1,717.8m [data_package §3, Asia Pacific row]	$2,019.2m [data_package §3, Asia Pacific row]	5.8% [calculated from cited endpoints]

Arithmetic checks: $1,527.8m × 1.1244 = $1,717.8m, and $1,717.8m × 1.1755 = $2,019.2m. Both tie within rounding and the mandated 2% tolerance. No historical value was back-solved from a growth rate. The five-year CAGR is much lower than the three-observation CAGR because revenue declined in FY2022 and FY2023; the forecast should not treat 28.5% latest-quarter growth as a permanent rate.

For profit, the comparable current-basis history is: $147.4 million at 9.6% in FY2023, $175.2 million at 10.2% in FY2024, $222.1 million at 11.0% in FY2025, and $280.2 million at 12.5% for TTM. [data_package §3, current-basis Asia Pacific row; data_package §3a, TTM Asia Pacific line]

7. Management guidance and evidence

Vertiv does not give numeric revenue, margin, orders, or backlog guidance for Asia Pacific. The relevant management evidence is therefore a combination of explicit APAC execution language and consolidated demand, capacity, and technology evidence that applies to the regional opportunity but does not specify regional outcomes.

- **Consolidated demand, 2025-10-22:** “Our trailing twelve-month organic orders growth of about 21% demonstrates strong momentum with Q3 orders up 60% year over year and 20% sequentially.” [data_package §7, Consolidated demand row] This confirms order acceleration before the Q4 spike. It cannot be assigned to APAC because regional orders are not disclosed.
- **Consolidated visibility, 2026-02-11:** “Even after the large Q4 order intake, our pipeline continues to grow.” [data_package §7, Consolidated visibility row] This supports broad opportunity but does not reveal APAC conversion, cancellations, timing, or margin.
- **Capacity, 2025-10-22:** “To anticipate and stay ahead of our customers' evolving needs and timelines we expect to accelerate our investments in supply chain and services capabilities and capacity.” [data_package §7, Consolidated capacity row] The forecast should allow capacity to enable growth while charging the margin and working-capital model for ramp risk.
- **Capacity timing, 2026-04-22:** “But you could see from our CapEx profile, and what we mentioned about Q1, we're very, very focused on adding capacity and a lot of that capacity start to hit us in the second half.” [data_package §7, Consolidated capacity row] The statement supports stronger supply in 2H26, not permanent growth at the Q2 rate.
- **Investment and partnerships, 2026-07-29:** “This quarter reflects the compounding effect of years of deliberate investment in technology, capacity, and customer partnerships.” [data_package §7, Americas/global AI demand row] The evidence is global and cannot be presented as an APAC target, but it frames why regional manufacturing and qualification matter.
- **Demand, 2026-07-29:** “Demand for AI and general compute continues to intensify,” with pipelines continuing to strengthen. [data_package §7, Americas/global AI demand row] This supports the secular driver but provides no regional pipeline value.

- **Asia Pacific/global execution, 2026-07-29:** “We are moving at the speed of technology” in a growing demand environment while investing ahead of it. [data_package §7, Asia Pacific/global execution row] This is the closest APAC-tagged evidence, yet it remains qualitative and non-numeric.
- **Thermal architecture, 2026-04-22:** “Heat rejection is becoming more complex for AI data centers and a portfolio comprising chillers, dry coolers, trim coolers, offers great flexibility and efficiency opportunities for our customers.” [data_package §7, Thermal management row] This supports portfolio breadth and liquid-cooling adjacency; the data package does not allocate the resulting revenue to APAC.

The latest consolidated FY2026 guidance is $13.8-$14.2 billion of revenue, 30%-32% organic sales growth, and $3.285-$3.365 billion of adjusted operating profit. [data_package §5, issuer guidance table] It supersedes prior guidance but is not a segment guide and uses adjusted rather than sealed segment-profit economics. This appendix uses it only as a near-term consistency check. [DATA GAP: no management-provided FY2026 Asia Pacific revenue, growth, margin, orders, backlog, product-mix, or capacity target exists in the verified package.]

8. Forward growth assumptions

The model compounds from the exact $2,245.4 million TTM base to June 30, 2031. Because there is no APAC product split, each case contains the single disclosed financial line. The latest Q2 growth rate is a starting signal, not the five-year assumption. The explicit annual path makes the deceleration visible.

Base case growth

Product / sub-segment	FY2023-FY2025 CAGR (2 intervals)	Latest YoY	Management FY+1 guide	Base CAGR TTM to TTM+5y	Justification
Asia Pacific segment total; product split not disclosed	15.0% [data_package §3]	28.5% Q2 FY2026 [data_package §3]	No segment guide; consolidated FY2026 organic growth 30%-32% [data_package §5]	11.12%	Growth starts at 18% as backlog and capacity convert, then fades to 6% as comparisons, grid availability, and competitive supply normalize. Johor supports delivery but no capacity increment is invented.

Bull case growth

Product / sub-segment	FY2023-FY2025 CAGR (2 intervals)	Latest YoY	Management FY+1 guide	Bull CAGR TTM to TTM+5y	Justification
Asia Pacific segment total; product split not disclosed	15.0% [data_package §3]	28.5% Q2 FY2026 [data_package §3]	No segment guide; consolidated FY2026 organic growth 30%-32% [data_package §5]	16.49%	Growth stays above the historical three-observation CAGR as AI builds broaden across Southeast Asia, North Asia, Japan, and Australia, while Johor ramps cleanly and integrated power/liquid-cooling content per project rises.

Bear case growth

Product / sub-segment	FY2023-FY2025 CAGR (2 intervals)	Latest YoY	Management FY+1 guide	Bear CAGR TTM to TTM+5y	Justification
Asia Pacific segment total; product split not disclosed	15.0% [data_package §3]	28.5% Q2 FY2026 [data_package §3]	No segment guide; consolidated FY2026 organic growth 30%-32% [data_package §5]	3.77%	Near-term conversion falls below current momentum as projects are delayed by power, permitting, or customer schedules; regional competition and weaker pricing reduce the benefit from still-growing compute demand.

The year-by-year paths prevent a hidden permanent extrapolation.

Case	FY+1 growth	FY+2 growth	FY+3 growth	FY+4 growth	FY+5 growth	TTM+5y revenue
Bear	8%	5%	3%	2%	1%	$2,701.9m
Base	18%	14%	10%	8%	6%	$3,803.7m

Case	FY+1 growth	FY+2 growth	FY+3 growth	FY+4 growth	FY+5 growth	TTM+5y revenue
Bull	24%	20%	16%	13%	10%	$4,817.5m

In base, revenue progresses from $2,245.4 million to $2,649.6 million, $3,020.5 million, $3,322.6 million, $3,588.4 million, and $3,803.7 million. The initial 18% is below Q2's 28.5% because a single quarter can contain project timing and because the TTM base already incorporates acceleration. The decline to 6% is consistent with a region becoming larger, grid and permitting constraints, and formidable competition. It is not predicated on a collapse in AI demand.

In bull, revenue reaches $2,784.3 million, $3,341.2 million, $3,875.7 million, $4,379.6 million, and $4,817.5 million. This requires multiple countries to energize projects, Johor to ramp without material quality or supply disruption, and Vertiv to win higher system content. In bear, revenue reaches $2,425.0 million, $2,546.3 million, $2,622.7 million, $2,675.1 million, and $2,701.9 million. That case still grows because installed-base service and secular digitization provide support, but it assumes backlog timing and competitive pressure sharply reduce the current rate.

9. Forward Operating profit (loss) margin assumptions

The exact segment metric is **Operating profit (loss)**. Current TTM margin is 12.48%, rounded to 12.5% in display tables. Corporate, foreign-currency, intangible-amortization, interest, and tax lines are excluded from this segment margin and remain in the sealed downstream bridge.

Case	Current TTM Operating profit (loss) margin	TTM+5y Operating profit (loss) margin	Change	Specific mechanism
Bear	12.5%	10.0%	(250) bps	Factory under-absorption, competitive pricing, customer rescheduling, lower-margin project mix, and execution or warranty costs outweigh local logistics and service benefits.
Base	12.5%	14.5%	+200 bps	Higher Johor utilization, local sourcing and testing, pricing retained for reliability, repeatable integrated designs, and gradual service mix outweigh wage and competitive pressure.
Bull	12.5%	17.0%	+450 bps	Rapid utilization, high-value liquid-cooling and prefabricated-system mix, strong price realization, low rework, and service attachment create scale leverage.

The base expansion exceeds 100 basis points and therefore needs a concrete bridge. Approximately 70 basis points come from manufacturing and logistics absorption as Johor ramps; roughly 50 basis points come from project standardization, factory testing, and less field rework; approximately 50 basis points come from system and thermal mix plus price realization; and about 30 basis points come from service and spares attachment. These are analytical mechanisms, not issuer-disclosed components. Their purpose is to define what must occur, not to pretend Vertiv discloses a regional margin bridge.

The bull case's 450-basis-point expansion is deliberately demanding. It requires the new facility to reach efficient utilization, advanced thermal and integrated systems to scale without reliability problems, customers to value faster deployment, and service follow-through to rise. Even at 17.0%, APAC remains well below Americas' current TTM 28.5% margin, avoiding an unsupported assumption that regional economics converge fully.

The bear case falls below FY2025 but remains slightly above the FY2023 current-basis margin of 9.6%. Revenue continues growing, but a fixed-cost ramp ahead of slower conversion, price competition from regional vendors, project-mix dilution, and commissioning expense remove leverage. A more severe recession or quality failure could drive a lower trough, but 10.0% is the five-year endpoint rather than the worst interim quarter.

Case	FY+1 margin	FY+2 margin	FY+3 margin	FY+4 margin	FY+5 margin
Bear	11.5%	10.7%	10.2%	10.0%	10.0%
Base	13.0%	13.5%	14.0%	14.3%	14.5%
Bull	13.5%	14.5%	15.5%	16.3%	17.0%

[DATA GAP: Asia Pacific product-level gross margins, product mix, service mix, price-volume decomposition, facility utilization, warranty cost, and regional capex are not disclosed; the margin cases are explicit analytical assumptions constrained by the verified segment history.]

10. Segment rollup

With no disclosed APAC product dollars, the bottoms-up rollup contains one segment line. That is arithmetically complete and more reliable than allocating companywide product and service percentages to a region without evidence.

Case	Modeled line	TTM revenue	TTM+5y revenue	Revenue CAGR	Operating profit (loss) margin	TTM+5y Operating profit (loss)
Bear	Asia Pacific segment total	$2,245.4m	$2,701.9m	3.77%	10.0%	$270.2m
Base	Asia Pacific segment total	$2,245.4m	$3,803.7m	11.12%	14.5%	$551.5m
Bull	Asia Pacific segment total	$2,245.4m	$4,817.5m	16.49%	17.0%	$819.0m

The tie-outs are exact within displayed rounding: $2,701.9 million × 10.0% = $270.2 million; $3,803.7 million × 14.5% = $551.5 million; and $4,817.5 million × 17.0% = $819.0 million. The modeled-line sum equals the segment total in every case, for a 0.0% rollup residual. The starting TTM profit also ties: $2,245.4 million × 12.48% is approximately $280.2 million.

Probability weights are 25% bear, 50% base, and 25% bull. These weights reflect a strong secular backdrop and current acceleration balanced by disclosure gaps, a short comparable margin history, execution risk around capacity, and formidable regional competition. The probability-weighted TTM+5y revenue is $3,781.7 million and probability-weighted segment **Operating profit (loss)** is $548.1 million. Those are arithmetic scenario averages, not a separate forecast case and not a security valuation.

11. Key risks and wildcards

- **Grid, power, and permitting bottlenecks — bear:** Asia Pacific demand for compute can be high while data-center energization remains slow. Singapore explicitly ties capacity expansion to green energy and efficiency, Japan emphasizes power-telecom coordination, and Australia expects developers to fund grid connectivity and renewable supply. Equipment orders can be delayed or rescheduled when electricity, land, water, or permits lag.
- **Backlog quality and conversion — bear:** Q4 FY2025 companywide backlog was approximately $15 billion, but no Q1 or Q2 FY2026 numeric update and no current APAC split are available. Long-duration reservations, schedule changes, customer option behavior, or duplicated planning could make backlog less immediately convertible than headline size suggests. [data_package §4, backlog tables]
- **Johor ramp — all cases:** The facility can lower lead times and strengthen testing, but 2027 full operation introduces hiring, qualification, yield, sourcing, and utilization risk. Base needs gradual absorption; bull needs an excellent ramp; bear reflects under-absorption and rework.
- **Regional competition — bear:** Schneider, Eaton, Delta, Huawei, and specialist vendors can contest power, cooling, modular systems, and service. Local pricing, established channels, and bundled technology can limit Vertiv's share and margin even in a growing market.
- **Liquid-cooling transition — bull and bear:** Higher rack density expands coolant distribution, heat rejection, fluid management, and controls content. It also changes interfaces and creates leak, cleanliness, compatibility, and warranty risk. Winning the architecture is a bull driver; being disintermediated by chip, server, or local system vendors is a bear driver.
- **Customer and project concentration — bear:** The filing says hyperscale, cloud, neocloud, and colocation customers are material, but percentages and names are not disclosed. A handful of large projects can create bargaining leverage and quarterly volatility. [data_package §4, customer disclosure]
- **Mix opacity — all cases:** APAC product, service, and subcategory revenue are not disclosed. Margin improvement could reflect favorable mix that reverses. The lack of product-line profit also prevents independently testing whether faster-growing liquid-cooling or integrated systems are accretive.

- **Inventory and working capital — bear:** Companywide inventory reached $2,522.7 million at Q2 FY2026. A portion may support backlog and acquisitions, but excess or obsolete components can weaken cash conversion. No APAC inventory is disclosed. [data_package §§4-5]
- **Supply-chain, trade, and geopolitics — bear:** The region crosses China, Southeast Asia, India, Japan, Korea, Australia, and other markets with different standards and trade regimes. Export controls, tariffs, component restrictions, shipping disruption, or local-content rules can raise cost and limit which architectures can be sold.
- **Currency — all cases:** Regional sales and costs span many currencies. The sealed bridge separately preserves the issuer's corporate foreign-currency line, so this appendix does not duplicate it. Transaction, sourcing, and competitive effects can still influence segment price and margin.
- **Services flywheel — bull:** A larger installed base, approximately 5,300 global field engineers, and increasingly complex cooling can increase maintenance, spares, fluid management, and upgrade work. The upside is credible but unquantified because regional service revenue and attachment are not disclosed.
- **Technology standardization — bull or bear:** Validated reference architectures and prefabricated modules can increase repeatability and speed. Alternatively, open standards and customer-designed systems can make components interchangeable, shifting economics toward the largest or lowest-cost vendor.
- **Acquisition integration — all cases:** PurgeRite, Great Lakes, BMarko, Strategic Thermal Labs, and ThermoKey broaden liquid cooling, fabricated infrastructure, testing, and heat rejection. Their regional contribution, consideration for several transactions, and product profit are not disclosed. Integration can strengthen the system portfolio or add complexity and amortization outside the segment bridge. [data_package §4, capacity actions]

Summary table

Case	Segment TTM+5y Revenue	Exact profit metric	Segment TTM+5y Profit Margin	Segment TTM+5y Profit	Probability
Bear	$2,701.9m	Operating profit (loss)	10.0%	$270.2m	25%
Base	$3,803.7m	Operating profit (loss)	14.5%	$551.5m	50%
Bull	$4,817.5m	Operating profit (loss)	17.0%	$819.0m	25%

The central underwriting judgment is that Asia Pacific can compound faster than its long five-year history because AI infrastructure, rack density, liquid cooling, and regional capacity are real drivers, but growth should decelerate from Q2 FY2026's 28.5% and margin should not be assumed to converge with Americas. The base case requires execution that is plausible but observable: Johor utilization, stable project quality, retained pricing, integrated-system adoption, and service attachment. Without those outcomes, revenue growth alone does not earn a higher **Operating profit (loss)** margin.

Appendix B3 - Europe, Middle East & Africa

Europe, Middle East & Africa — Segment Deep Dive

Company: Vertiv Holdings Co **Ticker:** VRT **Forecast base:** TTM ended 2026-06-30 **Exact horizon:** 2031-06-30, exactly 5.0 calendar years **Reporting currency:** USD millions unless stated otherwise **Exact segment profit basis: Operating profit (loss) Source controls:** verified data-package SHA-256 `3999887b9bda6ef9b4e9bdddcc6a5f80ad91a34503449b670a396e4737e761f36`; sealed statutory-bridge SHA-256 `c740adfd22f373f6a849bc4ada925c32cdcf7bcb3ab4fbd21a8fdf95838ef433`; sealed quote-packet SHA-256 `a812be65b0c6315cc732fee8d1122a9ab250fc5ce666bfaed71f1529e722934e`.

This appendix is a segment forecast input, not a security recommendation, portfolio ranking, sizing instruction, or trade authorization. It uses Vertiv's sealed historical package as the sole source for Vertiv historical figures, growth rates, management quotations, and accounting classifications. External sources are used only to frame competition, technology, regulation, and end-market constraints.

0. Segment boundary and taxonomy note

Europe, Middle East & Africa, or EMEA, is one of Vertiv's three modeled geographic operating segments. The revenue boundary is stable enough to support a five-year sales series: FY2021 and FY2022 net sales are the then-disclosed gross segment sales less intersegment sales, while FY2023 through FY2025 are current reported net sales. The **profit taxonomy has a hard boundary at FY2023**. Vertiv's FY2025 Form 10-K reclassified prior-year segment-profit comparatives because the current measure allocates engineering, research and development, information technology, and certain significant expenses differently. Only the current-basis FY2023-FY2025 **Operating profit (loss)** series is comparable and suitable for forecasting. Legacy FY2021-FY2022 profit observations must not be spliced into that trend. This distinction comes directly from data_package §3, “Taxonomy warning.”

The financial model therefore treats EMEA as one regional projection line. Vertiv discloses companywide Products and Services and spares revenue, but it does not disclose those classes in dollars by geography, nor does it disclose power-management, thermal-management, IT-systems, or infrastructure-solutions revenue and profit by region. Creating EMEA product allocations would introduce unsupported precision and would prevent a clean tie to the sealed regional base. Product categories remain operating-driver context; the numerical rollup remains EMEA total.

1. What this segment actually is

EMEA sells, deploys, and services the physical infrastructure that keeps computing and communications equipment powered, cooled, connected, controlled, and available. The customer is not generally buying a commodity box in isolation. A data-center operator, hyperscale cloud company, colocation provider, enterprise, telecommunications network, or industrial site is buying some combination of power conversion and continuity, thermal management, racks and integrated infrastructure, controls and monitoring, commissioning, and lifecycle support. The regional organization translates Vertiv's global technology portfolio into locally engineered projects that must satisfy site voltage, grid, climate, water, building, safety, and regulatory requirements.

The offering has two economically different revenue classes at the company level. Products include power-management equipment, thermal-management systems, IT infrastructure, and integrated infrastructure solutions. Services and spares include installation support, commissioning, preventive maintenance, emergency response, replacements, upgrades, and other lifecycle work. FY2025 companywide revenue was 82.0% Products and 18.0% Services and spares, while the Q2 FY2026 supplemental offering-basis split was about 79.6% and 20.4%, respectively. These are companywide mix indicators, not EMEA allocations; the data package explicitly says the regional mix is not disclosed (data_package §3, “Revenue class” table and §4, “Hardware and capacity indicator” table).

The go-to-market is technically intensive and multi-channel. Large data-center campuses require direct engagement with owners, designers, general contractors, engineering firms, and original equipment ecosystem partners. Smaller facilities and replacement work can involve distributors, integrators, resellers, and service partners. The buying process is specification-led: equipment must be designed into a site, validated with adjacent systems, delivered in sequence with construction, commissioned, and supported after installation. This makes local engineering coverage, installed-base familiarity, delivery certainty, and field-service capacity important alongside headline efficiency and price.

Pricing is best understood as a combination of equipment price, configuration, project scope, delivery timing, and lifecycle value. High-density power and cooling systems can earn a premium when they reduce footprint, speed deployment, improve energy efficiency, or lower downtime risk. But pricing power is conditional. Very large hyperscale and colocation customers can standardize designs, multi-source major components, and demand favorable commercial terms. Vertiv's FY2025 filing says those customers are a material portion of the business but does not quantify their concentration. The segment consequently has differentiated-value pricing in technically demanding applications and meaningful customer bargaining pressure at the same time.

EMEA is internally heterogeneous. Europe combines mature installed bases, strict energy and sustainability requirements, constrained power connections, and a growing need to retrofit facilities for higher rack densities. The Middle East offers greenfield campuses, sovereign digital-infrastructure programs, and potentially faster site development in selected hubs, but carries project concentration, geopolitical, and execution risk. Africa includes attractive long-run connectivity and digitalization needs but also more variable grid quality, financing, local service density, currency, and political conditions. One regional growth rate necessarily averages these different demand and risk profiles.

2. Current economics

The TTM ending 2026-06-30 is the only forward anchor. EMEA generated **$1,750.3 million of net sales** and **$372.2 million of Operating profit (loss)**, a margin of **21.3%**. It represented about 15.2% of the three segments' TTM sales and 13.4% of their TTM Operating profit (loss). The segment is profitable and currently earns a margin above 20%, but its growth has lagged the Americas and Asia Pacific. Q2 FY2026 sales rose only 1.7% year over year even as consolidated sales grew 24.1% (data_package §3, latest-four-quarters table and paragraph immediately below it).

The primary-source chain for the quarterly table is specific and period-matched: [Q3 FY2025 Form 10-Q](https://www.sec.gov/Archives/edgar/data/1674101/000167410125000024/vrt-20250930.htm); Q4 FY2025 derived from the [FY2025 Form 10-K, Note 13](https://www.sec.gov/Archives/edgar/data/1674101/000167410126000008/vrt-20251231.htm) less the Q3 nine-month filing; [Q1 FY2026 Form 10-Q](https://www.sec.gov/Archives/edgar/data/1674101/000162828026026556/vrt-20260331.htm); and the [Q2 FY2026 Form 10-Q](https://www.sec.gov/Archives/edgar/data/1674101/000162828026050609/vrt-20260630.htm) and [SEC Exhibit 99.1](https://www.sec.gov/Archives/edgar/data/1674101/000162828026050323/q22026exhibit991vrt07292026.htm). The data-package citations in each row point to the normalized, bridge-checked transcription of those filings.

The quarter-to-quarter shape is volatile enough that a single quarter should not be annualized:

Period	EMEA net sales	EMEA Operating profit (loss) margin	Historical source
Q3 FY2025	$443.6m	18.8%	data_package §3, latest-four-quarters table, Q3 row
Q4 FY2025	$501.7m	22.1%	data_package §3, latest-four-quarters table, Q4 row
Q1 FY2026	$321.4m	16.6%	data_package §3, latest-four-quarters table, Q1 row
Q2 FY2026	$483.6m	25.7%	data_package §3, latest-four-quarters table, Q2 row
TTM	$1,750.3m	21.3%	data_package §3, latest-four-quarters table, TTM row; exact profit $372.2m from §3a TTM bridge

The 910-basis-point range between Q1 and Q2 margins demonstrates project timing, mix, absorption, and execution sensitivity. It does not prove that 25.7% is a new steady state. The TTM margin is the defensible starting point because it includes all four non-overlapping quarters and ties to the sealed bridge.

Current product composition inside EMEA is a material disclosure gap. The companywide portfolio includes power management, thermal management, IT systems, infrastructure solutions, and services, but exact regional sales, profit, units, average selling prices, utilization, and nameplate capacity are not disclosed. Accordingly, there is no defensible calculation of EMEA liquid-cooling mix, service attach rate, product gross margin, or revenue per unit. `[DATA GAP: EMEA product and service revenue, product profitability, units, ASP, utilization, and standardized capacity are not separately disclosed after the official-source search documented in data_package §§0a, 3, 4, and 8.]`

Demand visibility is also incomplete. Regional backlog was $937.1 million at FY2022 and $1,545.1 million at FY2023, but Vertiv stopped disclosing the geographic split thereafter. Companywide backlog reached approximately $15.0 billion at FY2025, yet no numerical Q1 or Q2 FY2026 backlog, orders, or book-to-bill was disclosed in the reviewed materials. The old EMEA backlog cannot be rolled forward or converted into revenue coverage without inventing bookings, cancellations, timing, or regional allocation. [DATA GAP: Current EMEA backlog, orders, book-to-bill, conversion timing, and cancellation exposure are not disclosed; see data_package §4, backlog tables.]

Segment-specific capital intensity is not disclosed. Vertiv does not provide EMEA assets, capex, inventory, working capital, or ROIC. The best available operating context is companywide: FY2025 property capex was $220.0 million, management expects FY2026 capex of about 4.0% of sales, and companywide inventory increased to $2,522.7 million at Q2 FY2026. Regionally, the planned Tognana, Italy expansion is expected to double regional chiller production capacity by year-end 2026, with a large-scale testing laboratory targeted for early 2027. This supports the view that EMEA is investing ahead of high-density cooling demand, but it does not disclose capital employed or output economics (data_package §§2 and 4).

3. Unit economics

EMEA revenue becomes Operating profit (loss) through five linked economics: equipment value, project mix, factory and supply-chain absorption, local selling and engineering cost, and installed-base service capture. The accounting measure already includes regional allocations of engineering, R&D, IT, and certain significant expenses on the current presentation. It must therefore be forecast as the issuer's segment measure, not as gross profit, EBITDA, adjusted operating income, or consolidated statutory operating income.

First, power and thermal products carry engineered-system value but also hardware cost. Copper, steel, electronics, batteries, compressors, pumps, heat exchangers, controls, and outsourced components create input-cost and availability exposure. A high-density system can command better economics when integrated design reduces footprint and deployment risk, but the benefit can be competed away if specifications standardize or if customers unbundle the project among vendors. Since Vertiv does not disclose product-line gross margin, this appendix does not assign arbitrary margin differences to UPS, switchgear, chillers, coolant distribution units, racks, or services.

Second, mix matters. Service and spares revenue is typically linked to an installed base and can be repeatable, but Vertiv provides no EMEA service mix or margin. High-engineering liquid-cooling and large project work may carry differentiated value, while rapid volume growth can bring commissioning, warranty, and ramp costs. The model therefore uses the regional blended margin and treats service attach, liquid-cooling adoption, and systems integration as mechanisms that can move that margin, not as independently forecast revenue pools.

Third, absorption matters. Capacity built ahead of demand creates depreciation, staffing, qualification, and supply-chain overhead before throughput reaches an efficient level. If Tognana's planned chiller capacity is filled, higher throughput can spread those costs and shorten delivery times. If projects slip, the same investment lowers utilization and compresses margin. This is one reason the bear case allows a 426-basis-point decline from the exact 21.26% TTM margin rather than assuming flat economics under weak growth.

Fourth, project execution matters. Large data-center builds have sequence dependencies: grid connection, building readiness, customer-furnished equipment, heat-rejection infrastructure, piping, controls, and commissioning must align. Revenue timing and margin can shift when customers reschedule phases, specifications change, or expedited logistics are needed. The quarterly margin range in the sealed history is consistent with substantial timing and mix sensitivity, even though the data do not isolate each driver.

Fifth, regional commercial cost matters. EMEA requires broad coverage across languages, standards, climate zones, distributors, direct accounts, and field service. That creates a cost base that should scale with revenue but cannot be reduced to a simple variable cost. Local engineering and service density can also support pricing and retention. The durability question is whether revenue growth and service density outpace the fixed cost of maintaining this coverage.

The current-basis margin moved from 20.0% in FY2023 to 24.5% in FY2024 and back to 20.7% in FY2025, before settling at 21.3% for the TTM. This pattern rejects two easy stories: the segment has neither a smooth structural margin expansion nor an obvious permanent collapse. A defensible forecast should use a mid-cycle range, explicitly connect expansion to mix and utilization, and not extrapolate the 25.7% Q2 result.

Corporate and statutory-bridge lines are outside this segment's unit economics. The TTM bridge deducts $9.4 million of foreign-currency loss and $341.2 million of Corporate from the sum of segment Operating profit (loss), followed by $258.8 million of intangible amortization to reach statutory operating income. Those items will be modeled once by synthesis.

Allocating them into EMEA here would double count them and violate the sealed bridge (data_package §3a).

4. Competitive dynamics

The core competitive set is broad because Vertiv spans critical power, thermal management, racks, controls, integrated solutions, and services. The most direct large-platform competitor in EMEA is Schneider Electric, whose Secure Power franchise and Motivair acquisition combine electrical infrastructure, software, services, coolant distribution, cold plates, chillers, and other liquid-cooling components. Schneider publicly launched an end-to-end liquid-cooling portfolio after acquiring Motivair, demonstrating that Vertiv's integrated power-and-cooling positioning is contested, not unique ([Schneider Electric, September 2025](https://www.se.com/ww/en/about-us/newsroom/news/press-releases/Schneider-Electric-Unveils-Liquid-Cooling-Portfolio-with-Motivair-Featuring-Dedicated-Solutions-and-Services-for-HPC-and-AI-Workloads-68d69e595c9dbb622505caf3/)).

Eaton competes strongly in electrical power management, UPS, distribution, grid-to-chip architectures, and modular infrastructure. Its 2025 annual report describes data centers as a major end market and identifies product and system performance, technology, service and support, and price as principal competitive dimensions ([Eaton 2025 Annual Report](https://www.eaton.com/content/dam/eaton/company/investor-relations/annual-report/eaton-2025-annual-report.pdf)). Eaton's move toward liquid cooling and modular power widens overlap with Vertiv. Legrand is a significant rival in busways, rack power distribution, racks, and white/grey-space infrastructure; its first-half 2025 release showed continued acquisitions in datacenter electrical infrastructure, including a Swiss busbar specialist ([Legrand H1 2025 results](https://www.legrandgroup.com/sites/default/files/Documents_PDF_Legrand/Finance/2025/6m/Legrand_Press_Release_Results_H12025_1753878364.pdf)).

Specialists intensify competition at the component level. STULZ expanded liquid-cooling production in Hamburg in 2025 and offers central coolant distribution units, chillers, and related thermal systems ([STULZ, July 2025](https://www.stulz.com/de-de/newsroom/detail/stulz-produziert-cybercool-cmu-im-headquarter-in-hamburg)). Riello UPS competes in high-efficiency modular power continuity, while Siemens and Delta announced prefabricated modular power solutions intended to reduce deployment time and capital cost ([Siemens, November 2025](https://press.siemens.com/global/en/pressrelease/siemens-and-delta-power-solutions-cut-data-center-deployment-time-costs-and-carbon)). Customers can therefore source a full platform from a large rival, assemble best-of-breed specialists, or standardize selected components through integrators.

Market-share precision is not available. Vertiv does not disclose EMEA revenue by product, and competitor filings use different product, geography, and segment boundaries. A numerical EMEA share derived from incompatible market-research categories would be false precision. `[DATA GAP: No source-bound, like-for-like EMEA market-share denominator and no comparable vendor EMEA revenue numerator were available; this appendix makes no numerical share claim.]`

Pricing power is strongest where failure cost, qualification time, physical constraints, and system integration matter most. A facility owner may accept a higher price for proven uptime, validated interoperability, dense cooling capacity, smaller footprint, energy efficiency, or faster deployment. Installed equipment also creates familiarity and service opportunity. Pricing power is weaker for standardized components, large repeat buyers with multi-source designs, and projects where local integrators can substitute equivalent equipment. The availability of credible European and global rivals means price cannot be assumed to rise independently of customer value.

Entry barriers are real but not absolute. Safety and reliability qualification, thermal and electrical engineering, manufacturing scale, field-service coverage, supplier relationships, software/control integration, and reference installations take time to build. Yet established electrical, cooling, and industrial-automation companies already possess many of these capabilities. Acquisitions such as Schneider-Motivair or Eaton's thermal expansion can accelerate portfolio entry. The moat is consequently strongest at the integrated system, installed-base, and execution layers; it is thinner at individual hardware categories.

Substitution risk is two-sided. Higher-density compute increases demand for advanced power and cooling, but architectural change can shift value among vendors. Direct-current designs may alter the power chain. Chip-level or rack-level cooling could reduce some room-cooling content while increasing fluid-network and heat-rejection content. Prefabricated modules could reward firms with integrated designs but also enable standardized competition. Cloud customers may internalize engineering and use contract manufacturers. The base case assumes Vertiv retains relevance across architectures; the bear case assumes part of the value pool becomes more standardized and price competitive.

5. Moat at the segment level

EMEA has a credible but conditional segment moat. The strongest protection is not a single patent or product. It is the combination of installed base, local service capability, engineering know-how, qualification history, broad power-and-thermal portfolio, and the ability to support multinational customers across jurisdictions. Critical infrastructure has a high cost of failure, so proven reliability and response capability matter. A vendor familiar with a customer's designs can be specified into expansions and retrofits, creating repeat work and lowering the customer's coordination risk.

The service network can deepen this advantage. Lifecycle support brings technicians into operating sites, supplies spares and preventive maintenance, and provides feedback on real-world failure modes. That can improve product design and create switching friction. However, the data package discloses only approximately 5,300 field service engineers companywide and no EMEA count, service revenue, attach rate, renewal rate, or profitability. The moat mechanism is plausible; its regional economic magnitude is not measurable from the disclosed data.

Integrated design is the second protection. As rack density rises, the electrical chain, cooling chain, controls, and physical layout interact more tightly. Vertiv's system approach can reduce interface risk and speed deployment. The EMEA availability of a 2.3 MW coolant distribution unit and regional chiller investment show product commitment, but competitors are pursuing similarly integrated portfolios. Integration is therefore a differentiator only if Vertiv sustains performance, delivery, and service advantages.

The installed base and regional footprint are the third protection. Replacement parts, upgrades, monitoring, and retrofits can favor incumbents because operators avoid unnecessary changes to mission-critical systems. Europe in particular has brownfield sites that need higher density and better efficiency without full rebuilds. Nevertheless, open standards, multi-vendor facilities, and procurement pressure limit lock-in. Customers can and do qualify multiple suppliers.

The moat's durability over five to ten years depends on four proofs. First, the segment must convert high-density cooling and power demand into revenue, not just product announcements. Second, the Tognana expansion must achieve utilization and quality without creating excess fixed cost. Third, the service layer must grow with the installed base and maintain response quality. Fourth, Vertiv must remain architecture-neutral enough to win as power and cooling designs change. Failure on any of these points would leave EMEA competing mainly on hardware availability and price.

The observed margin history supports a moat, but not an unassailable one. A segment earning approximately 20%-25% Operating profit (loss) margins on the current basis has evidence of differentiated value. The fall from 24.5% in FY2024 to 20.7% in FY2025 and the 16.6%-25.7% recent quarterly range show that the protection is not sufficient to eliminate mix, execution, and volume effects. The base case permits modest margin expansion; the bull case requires fuller utilization and mix improvement; the bear case recognizes that the moat may protect relevance without protecting peak economics.

6. Historical growth rates

Revenue history is reproduced from the verified data package and not re-derived from external sources. EMEA product-level dollars are not disclosed, so the finest valid financial line is the geographic segment total. The exact primary-source chain is the [FY2023 Form 10-K, geographic segment note](https://www.sec.gov/Archives/edgar/data/1674101/000162828024006498/vrt-20231231.htm) for the FY2021-FY2023 revenue history and the [FY2025 Form 10-K, Note 13](https://www.sec.gov/Archives/edgar/data/1674101/000167410126000008/vrt-20251231.htm) for the current-basis FY2023-FY2025 revenue and Operating profit (loss) series; data_package §3 is the controlling normalized transcription.

Product / sub-segment	FY-3 revenue	FY-2 revenue	FY-1 revenue	3-year-span CAGR	Most recent YoY	Data package cite
EMEA total	$1,490.9m [data_package §3, geographic net sales table, EMEA row]	$1,793.4m [data_package §3, geographic net sales table, EMEA row]	$1,824.4m [data_package §3, geographic net sales table, EMEA row]	10.62% [calculated from the cited FY2023 and FY2025 cells over two intervals]	1.73% [data_package §3, paragraph below geographic table; arithmetic checked]	data_package §3, geographic segment net sales, Europe, Middle East & Africa row

The “3-year-span CAGR” uses FY2023, FY2024, and FY2025 and therefore contains two compounding intervals: `(1,824.4 / 1,490.9)^(1/2) - 1 = 10.62%`. For longer-cycle context, the stable revenue taxonomy also supplies five annual observations:

Financial line	FY2021	FY2022	FY2023	FY2024	FY2025	FY2021-FY2025 CAGR
EMEA net sales	$1,201.7m [data_package §3, geographic net sales table, EMEA row]	$1,361.6m [data_package §3, geographic net sales table, EMEA row]	$1,490.9m [data_package §3, geographic net sales table, EMEA row]	$1,793.4m [data_package §3, geographic net sales table, EMEA row]	$1,824.4m [data_package §3, geographic net sales table, EMEA row]	11.00% [calculated from cited FY2021 and FY2025 cells over four intervals]

Internal arithmetic checks, all within the required 2% tolerance:

Transition	Check	Result
FY2021 to FY2022	$1,201.7m × 1.1331	$1,361.6m, matches cited FY2022 within rounding ✓
FY2022 to FY2023	$1,361.6m × 1.0950	$1,490.9m, matches cited FY2023 within rounding ✓
FY2023 to FY2024	$1,490.9m × 1.2029	$1,793.4m, matches cited FY2024 within rounding ✓
FY2024 to FY2025	$1,793.4m × 1.0173	$1,824.4m, matches cited FY2025 within rounding ✓

No back-solved product dollars are used. The regional backlog observations of $937.1 million for FY2022 and $1,545.1 million for FY2023 are demand context, not revenue, and are excluded from the growth table. The last disclosed EMEA backlog growth was substantial, but the absence of FY2024-FY2026 regional backlog prevents a continuous series or a current coverage ratio.

Profit history is shown separately because its comparable taxonomy starts only in FY2023:

Period	Net sales	Operating profit (loss)	Operating profit (loss) margin	Data package cite
FY2023 current basis	$1,490.9m [data_package §3, current-basis segment economics, EMEA row]	$297.7m [same table and row]	20.0% [same table and row]	data_package §3, current-basis segment economics, EMEA row
FY2024 current basis	$1,793.4m [data_package §3, current-basis segment economics, EMEA row]	$439.4m [same table and row]	24.5% [same table and row]	data_package §3, current-basis segment economics, EMEA row
FY2025 current basis	$1,824.4m [data_package §3, current-basis segment economics, EMEA row]	$377.4m [same table and row]	20.7% [same table and row]	data_package §3, current-basis segment economics, EMEA row
TTM ended 2026-06-30	$1,750.3m [data_package §3, latest-four-quarters table, EMEA TTM cell]	$372.2m [data_package §3a, sealed bridge, EMEA TTM line]	21.3% [data_package §3, latest-four-quarters table, EMEA TTM cell]	data_package §3 TTM row and §3a sealed bridge, EMEA TTM line

Legacy FY2021-FY2022 profit values are intentionally omitted because they are not comparable under the current allocation methodology.

7. Management guidance

The complete segment-specific management evidence in data_package §7 consists of one controlling statement:

- **Data-package row:** §7, EMEA, 2025-10-22 Q3 FY2025 call; **speaker: Giordano Albertazzi, Chief Executive Officer**. **Verbatim evidence:** “Though EMEA remains softer, and we expect it to rebound in 2026.” **Interpretation:** management acknowledged that regional demand and/or execution was below the stronger companywide trend and expected improvement, but provided no magnitude, timing within 2026, or margin target. Q2 FY2026 growth of 1.7% indicates that the rebound had not yet become a broad, high-growth result by the latest reported quarter.

Relevant consolidated evidence provides context but not a regional promise. Management reported strong pipelines and accelerated capacity investment, and the latest Q2 FY2026 companywide guidance calls for $13.8-$14.2 billion of sales and 30%-32% organic growth. None of that can be mechanically assigned to EMEA. The data package explicitly says management provided no numeric forward revenue, margin, orders, or backlog guidance by geography.

`[DATA GAP: No numeric EMEA FY2026 revenue, organic growth, Operating profit (loss), margin, orders, backlog, or book-to-bill guidance is disclosed in data_package §7.]`

The absence of a numeric regional guide constrains, but does not prevent, a scenario model. The appropriate response is to use the TTM base, the disclosed historical range, current regional capacity actions, external industry constraints, and explicit scenario mechanisms. It would be inappropriate to treat the consolidated 31% organic-growth midpoint as an EMEA guide.

8. Forward growth assumptions

The financial projection contains one line because EMEA product dollars are not disclosed. Each scenario compounds the $1,750.3 million TTM base for exactly five calendar years to 2031-06-30. The historical reference is the 10.62%

FY2023-FY2025 span CAGR and 1.73% FY2025 growth. Q2 FY2026's 1.7% year-over-year growth is used as a recency check, not as a permanent rate.

Base case

Product / sub-segment	3-year historical CAGR	Latest YoY	Management FY+1 guide	Base CAGR TTM to TTM+5y	Justification
EMEA total	10.62%	1.73% FY2025; 1.7% Q2 FY2026	No numeric guide; expects 2026 rebound	8.00%	Below recent historical span because the rebound remains unproven; above current growth because high-density demand, installed-base service, and added cooling capacity support recovery.

The base case assumes that EMEA improves from its soft current growth but does not converge to Americas momentum. Growth is 7%, 9%, 9%, 8%, and 7% across the five forecast years. The early step-up is tied to management's rebound expectation and capacity becoming available; the later fade reflects a larger base, grid and permitting constraints, and competition. The European Commission says EU power networks face insufficient connection capacity and project delays, while its grid plan calls for major investment ([European Commission, European grids](https://energy.ec.europa.eu/topics/infrastructure/european-grids_en?prefLang=sk)). Those constraints can defer data-center completion even when customer demand is real.

Bull case

Product / sub-segment	3-year historical CAGR	Latest YoY	Management FY+1 guide	Bull CAGR TTM to TTM+5y	Justification
EMEA total	10.62%	1.73% FY2025; 1.7% Q2 FY2026	No numeric guide; expects 2026 rebound	12.98%	Rebound broadens as regional liquid-cooling capacity fills, integrated wins accelerate, and Middle East greenfield plus European retrofit demand outweigh grid delays.

The bull case assumes growth of 12%, 15%, 15%, 13%, and 10%. This is not a perpetual 15% assumption: it explicitly peaks as capacity and deployments ramp, then decelerates. It requires Tognana's expansion and the broader portfolio to produce billable projects, not merely available capacity. It also assumes that efficiency and reporting requirements favor modern power and cooling systems. The EU requires energy-performance reporting for data centers above 500 kW and is developing a rating scheme and minimum performance standards, which could accelerate efficient retrofits while also raising compliance demands ([European Commission, minimum performance standards](https://energy.ec.europa.eu/resources/preparatory-studies/minimum-performance-standards-eu-data-centres_en)).

Bear case

Product / sub-segment	3-year historical CAGR	Latest YoY	Management FY+1 guide	Bear CAGR TTM to TTM+5y	Justification
EMEA total	10.62%	1.73% FY2025; 1.7% Q2 FY2026	No numeric guide; expects 2026 rebound	1.93%	Initial contraction reflects project deferrals and weak utilization; later low-single-digit recovery assumes the installed base prevents structural decline but competition limits pricing.

The bear case assumes -4%, 0%, 3%, 5%, and 6%. This is more than generic “maturation.” It requires specific adverse mechanisms: grid connection delays, permitting and financing slippage, customers rescheduling AI capacity, cooling-capacity underutilization, and price pressure from Schneider, Eaton, STULZ, Siemens/Delta, Legrand, and regional specialists. The recovery after year two recognizes that mission-critical installed-base demand and replacement needs do not disappear. The IEA's current outlook also emphasizes that physical bottlenecks and planning constraints can cap near-term data-center expansion despite large project pipelines ([IEA, Key Questions on Energy and AI](https://www.iea.org/reports/key-questions-on-energy-and-ai/executive-summary?_bhlid=10646f272364cf3af59c0fa8f3886b1cfe01e627)).

Explicit annual revenue path

Case	TTM base	Year 1 growth / revenue	Year 2 growth / revenue	Year 3 growth / revenue	Year 4 growth / revenue	Year 5 growth / revenue	Exact 5-year CAGR
Bear	$1,750.3m	-4.0% / $1,680.3m	0.0% / $1,680.3m	3.0% / $1,730.7m	5.0% / $1,817.2m	6.0% / $1,926.3m	1.93%
Base	$1,750.3m	7.0% / $1,872.8m	9.0% / $2,041.4m	9.0% / $2,225.1m	8.0% / $2,403.1m	7.0% / $2,571.3m	8.00%
Bull	$1,750.3m	12.0% / $1,960.3m	15.0% / $2,254.4m	15.0% / $2,592.5m	13.0% / $2,929.6m	10.0% / $3,222.5m	12.98%

The path makes the deceleration and rebound assumptions visible. Base growth does not jump directly from 1.7% to a permanently high rate. Bull growth does not exceed the FY2023-FY2024 20.3% historical increase and fades by the horizon. Bear revenue never assumes permanent contraction; its low CAGR arises from lost early years that are only partly recovered.

9. Forward Operating profit (loss) margin assumptions

The exact starting margin is $372.2 million divided by $1,750.3 million, or 21.26%, displayed as 21.3%. Product margins are not disclosed, so a product-level weighted margin would be invented. The correct auditable model forecasts the one disclosed EMEA margin and explains its drivers.

Case	TTM Operating profit (loss) margin	Year 1	Year 2	Year 3	Year 4	TTM+5y Operating profit (loss) margin	Change vs TTM	Mechanism
Bear	21.3%	19.5%	18.5%	17.8%	17.3%	17.0%	(426) bps	Low utilization, adverse project mix, pricing pressure, ramp cost, and delayed service capture.
Base	21.3%	21.5%	21.8%	22.0%	22.3%	22.5%	+124 bps	Moderate volume leverage, improved cooling mix, and service growth, partly offset by competition and regional coverage cost.
Bull	21.3%	22.0%	23.0%	24.0%	24.7%	25.0%	+374 bps	High capacity utilization, integrated-system mix, better fixed-cost absorption, and successful lifecycle-service attach.

The base expansion exceeds 100 basis points and therefore needs a concrete, quantified mechanism. The +124-basis-point bridge from the exact 21.26% TTM margin comprises approximately +60 bps from fixed-cost absorption as Tognana and regional capacity utilization rises, +40 bps from service attach and integrated power-and-thermal mix, and +24 bps from net productivity and price/cost after competition and regional coverage expense. These are explicit scenario allocations, not disclosed product margins. The 22.5% horizon margin is below the 24.5% FY2024 outcome and the 25.7% Q2 FY2026 point, so it does not require unprecedented profitability.

The bull case reaches 25.0%, near but not materially above the disclosed best annual and quarterly points. Its +374-basis-point bridge comprises approximately +160 bps from high utilization and fixed-cost absorption, +125 bps from integrated-system and lifecycle-service mix, and +89 bps from productivity and favorable price/cost under strong execution. These allocations require sustained utilization and project execution across a much larger revenue base. This is a demanding condition because competitors are building similar integrated portfolios. The bull margin should be rejected if revenue grows but regional inventory, commissioning cost, warranty expense, or price competition prevents operating leverage.

The bear decline is equally specific and quantified. Its 426-basis-point compression comprises approximately -170 bps from capacity underutilization, -110 bps from adverse project mix and price concessions, -80 bps from ramp, expedited-logistics, rework, and warranty costs, and -66 bps from service and regional-coverage deleverage. The horizon margin remains positive because the installed base and replacement demand provide resilience, but the model does not assume the moat preserves a 20% floor.

No corporate/unallocated or statutory-bridge adjustment is embedded in these margins. Foreign currency, Corporate, and intangible amortization remain outside EMEA and must be projected once in synthesis on their sealed classifications.

10. Segment rollup

The rollup is deliberately one-line and bottoms-up to the finest disclosed financial unit. Every scenario starts from the same sealed TTM revenue and exact Operating profit (loss) basis. Revenue equals the product of the explicit annual growth path; profit equals horizon revenue multiplied by the horizon margin.

Case	Financial projection line	TTM revenue	Growth path	TTM+5y revenue	TTM+5y Operating profit (loss) margin	TTM+5y Operating profit (loss)	Revenue tie-out
Bear	EMEA total	$1,750.3m	-4%, 0%, 3%, 5%, 6%	$1,926.3m	17.0%	$327.5m	$1,750.3m × 0.96 × 1.00 × 1.03 × 1.05 × 1.06 = $1,926.3m
Base	EMEA total	$1,750.3m	7%, 9%, 9%, 8%, 7%	$2,571.3m	22.5%	$578.5m	$1,750.3m × 1.07 × 1.09 × 1.09 × 1.08 × 1.07 = $2,571.3m
Bull	EMEA total	$1,750.3m	12%, 15%, 15%, 13%, 10%	$3,222.5m	25.0%	$805.6m	$1,750.3m × 1.12 × 1.15 × 1.15 × 1.13 × 1.10 = $3,222.5m

Case	Revenue components summed	Segment total	Difference	Profit check
Bear	$1,926.3m	$1,926.3m	0.0%	$1,926.3m × 17.0% = $327.5m
Base	$2,571.3m	$2,571.3m	0.0%	$2,571.3m × 22.5% = $578.5m
Bull	$3,222.5m	$3,222.5m	0.0%	$3,222.5m × 25.0% = $805.6m

The one component equals the segment because no lower-level regional financial disclosure exists. That is a genuine bottoms-up tie at the disclosed level, not an analytical shortcut. Introducing fabricated product components would create the appearance of depth while weakening reproducibility.

The base case adds $821.0 million of annual revenue and $206.3 million of annual Operating profit (loss) by the horizon. The implied incremental margin on that change is about 25.1%, which is above the starting 21.3% but consistent with modest fixed-cost leverage. The bull case adds $1,472.2 million of revenue and $433.4 million of profit, an implied incremental margin near 29.4%; that outcome depends on high utilization and mix. The bear case adds only $176.0 million of revenue over five years while profit falls by $44.7 million, demonstrating that capacity and commercial pressure can overwhelm modest top-line growth.

11. Key risks and wildcards

Grid connection and permitting delay — bear and base. Demand for compute is not the same as commissioned capacity. European power networks face connection queues and implementation delays. A customer can retain a long-run campus plan while shifting equipment delivery beyond the model horizon. The most important monitoring evidence is current EMEA backlog and its scheduled conversion, which Vertiv does not disclose.

Capacity underutilization — bear. The Tognana expansion and related engineering investments create upside only if demand converts. If projects slip or competitors win specifications, new capacity raises fixed cost and working capital while compressing margin. The bear margin path explicitly prices this risk.

Competitive portfolio convergence — bear and base. Schneider/Motivair, Eaton, STULZ, Legrand, Siemens/Delta, and other specialists are investing in adjacent power, cooling, busway, modular, and service capabilities. If customers view portfolios as interchangeable, procurement power rises and Vertiv's system premium narrows.

Liquid-cooling architecture — bull and bear. Direct-to-chip cooling, coolant distribution, heat rejection, and associated services can expand Vertiv's content per high-density deployment. The wildcard is value allocation: chip vendors, server OEMs, facility suppliers, and integrators may capture different portions as standards evolve. The bull case assumes Vertiv retains system value; the bear case assumes commoditization and unbundling.

Regulation and sustainability — bull and bear. EU reporting, rating, efficiency, and water scrutiny can accelerate replacement of inefficient infrastructure and reward efficient controls and cooling. It can also delay approvals, restrict water-intensive designs, raise customer compliance cost, or shift projects to other regions. The effect is not mechanically positive.

Regional and currency mix — bear and base. EMEA combines euro, sterling, Middle Eastern, African, and other exposures. The sealed bridge treats foreign currency as corporate/unallocated rather than segment profit, so this appendix

does not insert an FX adjustment into EMEA margin. Operationally, however, currency and country mix can influence pricing, local cost, demand, and cash conversion.

Customer and project concentration — bear. Large hyperscale, cloud, neocloud, and colocation customers can demand favorable terms and reschedule phases. The company does not disclose an EMEA concentration table, so the downside cannot be quantified. A small number of project delays could explain substantial quarterly volatility.

Execution, quality, and warranty — bear. High-density power and cooling systems operate at demanding loads. Product defects, commissioning failures, leaks, controls issues, or service shortfalls could create warranty costs and reputational damage. Faster capacity ramps make process control more important.

Service attach and installed-base monetization — bull. If EMEA converts equipment growth into maintenance, upgrades, spares, monitoring, and emergency support, recurring revenue can improve resilience and margin. The critical missing disclosure is regional service mix and attach rate. This remains an upside mechanism, not a measured forecast line.

Middle East greenfield acceleration — bull. Large new campuses can avoid some European brownfield constraints and can favor integrated suppliers able to deliver quickly. The offset is project lumpiness, sovereign and contractor concentration, heat-rejection demands, and geopolitical exposure. The bull case needs breadth rather than reliance on one or two megaprojects.

Africa execution and financing — bear and bull. Long-run digitalization and grid-reliability needs can create demand for critical power and modular infrastructure, but financing, import logistics, currency, local technical coverage, and political risk can slow conversion. Upside is plausible but should not be used to plug a European growth shortfall without disclosure.

Backlog quality — all cases. Companywide FY2025 backlog was exceptionally large, but EMEA's share, embedded pricing, scheduled delivery, cancellation rights, and margin are unknown. The bull case fails if backlog is mainly long-dated, low-margin, duplicated, or rescheduled. The bear case may prove too harsh if regional backlog has already accelerated materially.

Monitoring conditions

The base case should be revised downward if EMEA organic or reported growth remains below 5% through multiple comparable quarters, TTM margin falls below 19% without a temporary explanation, or disclosed capacity comes online without improving delivery and revenue. It should be revised upward only if growth broadens into high single digits or better, current regional backlog confirms multi-year visibility, and margin holds above 22% without relying on one project or quarter. A current EMEA service mix, backlog schedule, and product revenue table would materially reduce uncertainty.

Summary table

Case	Segment TTM+5y Revenue	Exact profit metric	Segment TTM+5y Profit Margin	Segment TTM+5y Profit	Probability
Bear	$1,926.3m	Operating profit (loss)	17.0%	$327.5m	25%
Base	$2,571.3m	Operating profit (loss)	22.5%	$578.5m	50%
Bull	$3,222.5m	Operating profit (loss)	25.0%	$805.6m	25%

The probability weights are scenario weights for synthesis, not confidence that every individual assumption is independent. Base receives 50% because management expects a rebound and regional capacity is being added, but Q2 FY2026 growth of only 1.7% prevents a higher weight. Bear receives 25% because grid delays, project deferrals, and capacity underutilization remain live disqualifiers; bull receives 25% because the upside mechanisms are concrete but lack current EMEA backlog and utilization proof. The central judgment is that EMEA is more likely to recover into high-single-digit growth than to remain at its latest low-single-digit rate, but the evidence does not support assigning it the Americas growth profile. Margin durability is credible around the low twenties; a sustained 25% outcome requires utilization, mix, and execution proof. No conclusion in this appendix authorizes a trade, ranking, or portfolio action.

Appendix S - Synthesis (Combined Earnings Model)

Vertiv Holdings Co — Synthesis (Combined Earnings Model)

Ticker: VRT **Mode:** Production ER2 **Model authority:** Research synthesis only; no trade, ranking, portfolio-sizing, or execution authority **Exact segment profit basis: Operating profit (loss) Forecast anchor:** TTM ended 2026-06-30 **Horizon:** 2031-06-30, exactly 5.0 calendar years after the TTM anchor

This appendix mechanically consolidates the three reviewer-cleared regional models, applies the sealed statutory bridge once, derives net income and security-unit EPS, and tests that EPS against the sole QFR-sealed quote. It does not reclassify historical accounting, introduce a balancing plug, or replace any regional post-review value. All dollar amounts are USD; tables use billions unless explicitly marked millions.

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.
- **Latest completed FY for historical tie-out:** FY2025 ended 2025-12-31.
- **Horizon date:** 2031-06-30, exactly 5.0 calendar years after 2026-06-30. The forecast compounds from TTM, not FY2025, and no row uses a six-year span.
- **Valuation price:** USD 241.57 per NYSE-listed Class A common share, XNYS:VRT, raw exchange close from the completed 2026-07-31 session. The raw-source SHA-256 is `9ecd5a4eb8dd8419f138d0607f092c59a82e2f4c3f8cacb4da5d29884fa0126c`; the QFR-sealed packet SHA-256 is `a812be65b0c6315cc732fee8d1122a9ab250fc5ce666bfaed71f1529e722934e`. Strict actionability expires 2026-08-04T04:00:00+08:00.
- **Security and reporting unit:** The quote and financial statements both use one Class A common share. Reporting and quote currencies are both USD.
- **Split bridge:** 392,746,991 financial-statement diluted shares at 2026-06-30 × 1.0 split factor = 392,746,991 quote-basis diluted financial shares at the quote date. SEC submissions history through 2026-07-31 found no intervening split; source SHA-256 `235bfae6b7d7a4407a423dae88dbb8eabb7c3e1693d80da781229e58c838157b`.
- **Listed-unit bridge:** Depositary ratio 1.0 × share-class factor 1.0 = 1.0 financial share per listed unit. Therefore 392,746,991 quote-basis financial shares ÷ 1.0 = 392,746,991 listed-unit equivalents. The unit-source SHA-256 is `9346a7542ba74f5a8f841365e837d45f4bd25c790be0a4da7b4b5807c3e0024d`.
- **FX bridge:** 1.0 USD of quote currency per 1.0 USD of reporting currency on 2026-07-31. This is an identity bridge, so no external FX raw file or conversion is required.
- **Historical statutory bridge:** SHA-256 `c740adfd22f373f6a849bc4ada925c32cdcf7bcb3ab4fbd21a8fdf95838ef433`. The installed validator returned `STATUTORY_BRIDGE_VALID` with exact hash equality. QFR is cleared, and the durable DR record states `STATUTORY BRIDGE VERIFIED — CLEARED FOR FORECASTING` through the verified data-package gate.
- **Data package:** Post-review SHA-256 `3999887b9bda6ef9b4e9bdddcc6a5f80ad91a34503449b670a396e4737e761f36`; DR records zero unresolved flags.

The quote validator was run at 2026-08-02T16:36:16+08:00, before expiry, and returned `QUOTE_PACKET_VALID` plus exact packet-hash equality. The price is therefore usable for research at this run time. `trade_execution_authorized` remains false.

2. Segment-level forward assumptions

The table reproduces the reviewed Section 8 growth and Section 10 rollup values. It does not re-derive or smooth the regional scenarios. All three appendices retain **Operating profit (loss)** as the issuer-disclosed common segment metric.

Segment	Exact profit metric	TTM revenue (USD B)	Bear TTM+5y rev	Base TTM+5y rev	Bull TTM+5y rev	Bear margin	Base margin	Bull margin
Americas	Operating profit (loss)	7.4839	9.1272	13.9214	17.6077	22.5%	29.5%	31.0%
Europe, Middle East & Africa	Operating profit (loss)	1.7503	1.9263	2.5713	3.2225	17.0%	22.5%	25.0%
Asia Pacific	Operating profit (loss)	2.2454	2.7019	3.8037	4.8175	10.0%	14.5%	17.0%

Sources are `appendix_B_americas.md` Sections 8–10, `appendix_B_emea.md` Sections 8–10, and `appendix_B_asia_pacific.md` Sections 8–10. Their exact post-review hashes match the manifest: Americas `b2cb37cba38ce70ee44912ed7dded02167459fd7501061433789bf5eab90eab1`, EMEA `4a7eb82d5613f18f570a09d6e62ab573ca03da48f3ab1657470bf930cc2f542b`, and Asia Pacific `4d63a18298f237512df66421b9373be544ec5da7db78a0313b4f451525e8a3c3`.

The regional models use explicit five-year paths rather than terminal-point interpolation. Americas base growth is 24%, 17%, 12%, 8%, and 6%; EMEA is 7%, 9%, 9%, 8%, and 7%; APAC is 18%, 14%, 10%, 8%, and 6%. These paths place base first-year combined revenue close to current company guidance while forcing material normalization thereafter. No segment embeds corporate expense, foreign currency, intangible amortization, interest, other non-operating items, or tax.

3. Combined revenue build

Vertiv's geographic net-sales disclosure is exhaustive. The three segment revenues sum to consolidated revenue at both FY2025 and TTM, so there is no forward corporate elimination or revenue plug.

Line	Bear	Base	Bull
Sum of segment TTM+5y revenue (USD B)	13.7554	20.2964	25.6477
Corporate eliminations (USD B)	0.0000	0.0000	0.0000
Combined TTM+5y revenue (USD B)	**13.7554**	**20.2964**	**25.6477**
Implied TTM to TTM+5y CAGR over 5.0 years	3.68%	12.07%	17.44%

The common starting revenue is USD 11.4796 billion. The arithmetic is `(13.7554 / 11.4796)^(1/5) - 1 = 3.68%`, `(20.2964 / 11.4796)^(1/5) - 1 = 12.07%`, and `(25.6477 / 11.4796)^(1/5) - 1 = 17.44%`. The base case nearly doubles revenue over five years, but its 12.07% combined CAGR is lower than the initial forward-year rate because each region decelerates.

4. Combined operating income build

The combined regional profit is not statutory operating income. The sealed bridge requires foreign currency, corporate and other, and amortization of intangibles to be applied after the three segments are summed. Each is forecast once below; none is allocated into a segment.

Line	Bear	Base	Bull
Sum of segment TTM+5y Operating profit (loss) (USD B)	2.6513	5.2368	7.0830
Foreign currency gain (loss)	(0.0161)	(0.0203)	(0.0210)
Corporate and other	(0.4088)	(0.5711)	(0.6812)
Consolidated TTM+5y segment-profit metric	**2.2264**	**4.6454**	**6.3808**
Amortization of intangibles	(0.1800)	(0.1450)	(0.1050)
Combined statutory TTM+5y operating income	**2.0464**	**4.5004**	**6.2758**
Implied statutory operating margin	14.88%	22.17%	24.47%

Bridge line	Bear rule	Base rule	Bull rule	Classification
Foreign currency gain (loss)	FY2025 ratio, (0.117)% of revenue	Mean ratio, (0.100)%	TTM ratio, (0.082)%	corporate/unallocated
Corporate and other	TTM ratio, (2.972)% of revenue	Mean ratio, (2.814)%	FY2025 ratio, (2.656)%	corporate/unallocated
Amortization of intangibles	USD 180m	USD 145m	USD 105m	operating

The ratio treatments come directly from data package Section 6. For example, base foreign currency is `20.2964 × (0.100)% = (0.0203)` billion, and base corporate and other is `20.2964 × (2.814)% = (0.5711)` billion. The resulting base consolidated segment metric is `5.2368 - 0.0203 - 0.5711 = 4.6454` billion.

The filed pre-acquisition amortization schedule ends at USD 127.3 million in 2030 and has no 2031 value. A transparent 2031 pre-deal extrapolation applies the latest scheduled decay ratio: `127.3 × (127.3 / 154.7) = 104.7` million, rounded to USD 105 million. That is the bull floor, not a zero. Base adds USD 40 million and bear adds USD 75 million for still-unquantified amortization from completed acquisitions, yielding USD 145 million and USD 180 million. These are bounded scenario derivations necessitated by the disclosed PPA gap; they do not alter historical classification and they preserve a visible operating deduction in every case.

The corporate ratios create operating leverage only within the source-bound FY2025-to-TTM range. The model does not freeze corporate cost in dollars, which would overstate margins as revenue grows, and does not set foreign-currency effects to zero in bull. Even so, base statutory operating margin reaches 22.17%, above the TTM 18.94%, because segment mix and margins improve. That outcome is demanding but remains below the combined segment-profit margin before corporate and amortization deductions.

5. Net income and EPS build

Below-line assumptions preserve the sealed classifications. Interest is expense, refinancing loss and other non-operating expense are not operating items, and tax is applied to pretax income.

Line	Bear	Base	Bull
Combined TTM+5y statutory OI (USD B)	2.0464	4.5004	6.2758
Interest expense, net	(0.0861)	(0.0693)	(0.0525)
Loss on extinguishment of debt	(0.0079)	(0.0017)	0.0000
Other non-operating expense	(0.0006)	(0.0004)	0.0000
Pretax income (USD B)	**1.9518**	**4.4290**	**6.2233**
Tax rate assumed	23.49%	20.78%	18.06%
Income tax expense (USD B)	(0.4585)	(0.9203)	(1.1239)
Net income (USD B)	**1.4934**	**3.5086**	**5.0993**
Quote-basis diluted financial shares at TTM+5y (M)	393.827	393.827	393.827
EPS in USD per quote-basis financial share	3.7919	8.9090	12.9482
Financial shares per listed unit	1.0000	1.0000	1.0000
EPS in USD per listed unit	3.7919	8.9090	12.9482
FX: quote USD per reporting USD	1.0000	1.0000	1.0000
EPS in quote currency per listed unit	**USD 3.7919**	**USD 8.9090**	**USD 12.9482**

Bear interest uses the FY2025 USD 86.1 million amount, base uses the Section 6 USD 69.3 million anchor, and bull uses TTM USD 52.5 million. Bear refinancing loss uses the TTM USD 7.9 million; base uses FY2025 USD 1.7 million; bull assumes no refinancing or retirement event and therefore zero. Other non-operating expense uses the TTM revenue ratio in bear, half that ratio in base, and zero in bull because it is immaterial and no recurring event is assumed. Tax spans the FY2025 23.49% rate, the 20.78% mean, and the TTM 18.06% rate.

The mandatory unit bridge is explicit in every case:

`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, `USD 3,508.6197m / 393.8274m = USD 8.9090` per quote-basis financial share; `8.9090 × 1.0 × 1.0 = USD 8.9090` per listed common share. The bear and bull cases reproduce the same way. No currency or ADR label is attached without this identity arithmetic.

6. Share count path

The starting point is the quote packet's exact 392.746991 million quote-basis diluted financial shares. Vertiv repurchased USD 599.9 million in 2024 at about USD 66 per share but repurchased zero in 2021–2023, 2025, and the TTM. Management stopped buying as the price rose despite remaining authorization. At USD 241.57, the conservative forward assumption is therefore zero buybacks rather than treating authorization as an obligation.

TTM stock-based compensation is USD 52.2 million. Because no forward option-exercise schedule is sealed, the required issuance proxy is `USD 52.2m / USD 241.57 = 0.216086m` shares annually. The sealed quote price is used as a disclosed price proxy, not claimed as a TTM volume-weighted average. This proxy is imperfect: diluted shares rose from 390.929 million in Q3 FY2025 to 392.747 million in Q2 FY2026, a 1.818 million increase, so option exercises and denominator mechanics exceeded the expense-equivalent estimate. The table remains an explicit, reproducible baseline and sensitivity separately tests ±5% shares.

Year	Starting quote-basis financial shares (M)	Buyback (USD B)	Avg price (USD)	Shares retired (M)	SBC issuance (M)	Ending quote-basis financial shares (M)
Year 1 to 2027-06-30	392.747	0.000	241.57	0.000	0.216	392.963
Year 2 to 2028-06-30	392.963	0.000	241.57	0.000	0.216	393.179
Year 3 to 2029-06-30	393.179	0.000	241.57	0.000	0.216	393.395
Year 4 to 2030-06-30	393.395	0.000	241.57	0.000	0.216	393.611
Year 5 to 2031-06-30	393.611	0.000	241.57	0.000	0.216	393.827

The path ties exactly before display rounding: `392.746991 + 5 × (52.2 / 241.57) - 0 = 393.827423` million. It is run in financial shares, not ADRs or another listed-unit construct. A more dilutive outcome is captured in sensitivity, and no EPS benefit from speculative repurchases is granted.

7. P/E 15 test

Required EPS at the sealed price is `USD 241.57 / 15 = USD 16.1047` per listed common share. None of the scenarios reaches that bar.

Case	EPS in USD per listed unit at TTM+5y	EPS × 15	Quote-packet price	Cushion	Pass?
Bear	3.7919	56.88	241.57	(76.45)%	FAIL
Base	8.9090	133.64	241.57	(44.68)%	FAIL
Bull	12.9482	194.22	241.57	(19.60)%	FAIL

Cushion is `(EPS × 15 - 241.57) / 241.57`. The confident base case controls: `((8.9090 × 15) - 241.57) / 241.57 = -44.68%`. The bull case cannot rescue the gate, and even bull remains below the required EPS. The binary P/E 15 gate is therefore **FAIL**.

8. Reflexivity check against reported financials

The forecast begins from an exact historical reconciliation. Segment revenue is exhaustive, while segment **Operating profit (loss)** requires the sealed corporate and operating bridge.

Historical anchor, USD M	FY2025	TTM ended 2026-06-30
Americas revenue	6,386.3	7,483.9
EMEA revenue	1,824.4	1,750.3

Historical anchor, USD M	FY2025	TTM ended 2026-06-30
Asia Pacific revenue	2,019.2	2,245.4
Sum of segment revenue	10,229.9	11,479.6
Consolidated revenue	10,229.9	11,479.6
Revenue residual	0.0	0.0
Sum of segment Operating profit (loss)	2,313.8	2,784.0
Foreign currency gain (loss)	(12.0)	(9.4)
Corporate and other	(271.7)	(341.2)
Consolidated segment metric	2,030.1	2,433.4
Amortization of intangibles	(200.4)	(258.8)
Statutory operating income	1,829.7	2,174.6
OI bridge residual	0.0	0.0

FY2025 revenue reconstructs as `6,386.3 + 1,824.4 + 2,019.2 = 10,229.9`. TTM revenue reconstructs as `7,483.9 + 1,750.3 + 2,245.4 = 11,479.6`. Both are 100.00% of consolidated revenue and well inside ±2%.

FY2025 OI reconstructs as `2,313.8 - 12.0 - 271.7 - 200.4 = 1,829.7`. TTM OI reconstructs as `2,784.0 - 9.4 - 341.2 - 258.8 = 2,174.6`. Each residual is USD 0.0 million against the packet's USD 0.1 million tolerance. These are reproductions of the sealed bridge, not forecast plugs.

9. Latest interim bridge reconciliation

NOT TRIGGERED — four non-overlapping quarters used. The TTM anchor is exactly Q3 FY2025, Q4 FY2025, Q1 FY2026, and Q2 FY2026. Those standalone quarters sum to USD 11,479.6 million revenue, USD 2,174.6 million statutory operating income, USD 2,113.7 million pretax income, and USD 1,732.0 million net income. The day-weighted TTM diluted denominator is 391,864,964 and TTM EPS is USD 4.4199; quarterly EPS values are not summed. No cumulative half-year and quarterly observations overlap in the model.

10. Sensitivity — which variable matters most

The sensitivity holds all other base assumptions constant and recalculates corporate ratios, below-line items, tax, and EPS where applicable. Americas growth matters most because that segment is the largest revenue and profit pool.

Variable tested	Down case EPS	Base EPS	Up case EPS	EPS impact vs base
Americas revenue CAGR 11.22% / 13.22% / 15.22%	8.2753	8.9090	9.5914	(0.6337) / +0.6823
EMEA Operating profit (loss) margin 20.5% / 22.5% / 24.5%	8.8057	8.9090	9.0126	(0.1034) / +0.1035
TTM+5y shares -5% / base / +5%	9.3779	8.9090	8.4848	+0.4689 / (0.4242)
Tax rate 17.78% / 20.78% / 23.78%	9.2464	8.9090	8.5717	+0.3374 / (0.3374)

Americas CAGR ±200 basis points changes horizon Americas revenue to USD 12.7363 billion or USD 15.1973 billion and moves EPS by roughly USD 0.63–0.68. That is the largest tested operating effect. A 5% share-count swing is next, moving EPS by roughly USD 0.42–0.47, followed by tax at about USD 0.34. EMEA margin matters much less because EMEA is a smaller profit pool. None of the favorable one-variable sensitivities approaches required EPS of USD 16.1047. The valuation conclusion therefore does not hinge on a narrow rounding choice.

11. Combined earnings summary

Scenario weights are 25% bear, 50% base, and 25% bull. Base receives the highest weight because current revenue, guidance, and demand visibility are strong; bear retains meaningful weight because backlog conversion, capacity absorption, inventory, customer bargaining, and cycle-tested margins remain unresolved; bull retains 25% because the mechanisms are concrete but require sustained execution against well-capitalized competitors. These are the reviewer-cleared segment weights and are not uniform thirds.

Case	Revenue (USD B)	OI (USD B)	OI margin	NI (USD B)	EPS (USD per listed unit)	Probability	EPS × 15	vs. USD 241.57
Bear	13.7554	2.0464	14.88%	1.4934	3.7919	25%	56.88	(76.45)%
Base	20.2964	4.5004	22.17%	3.5086	8.9090	50%	133.64	(44.68)%
Bull	25.6477	6.2758	24.47%	5.0993	12.9482	25%	194.22	(19.60)%
Probability-weighted	19.9990	4.3307	21.65%	3.4025	8.6395	100%	129.59	(46.35)%

Probability-weighted EPS is `3.7919 × 25% + 8.9090 × 50% + 12.9482 × 25% = 8.6395`. This is a scenario-weighted arithmetic diagnostic, not a fourth operating case. Its USD 129.59 value at 15 times EPS is also well below the quote.

Management is YELLOW because operating execution is strong but CEO tenure and acquisition-return evidence remain insufficient for PASS. Moat and the 2046 test are also YELLOW because the Americas-led systems and service advantage is real but not cycle-tested, and architecture relevance must persist. Those qualitative gates do not change the arithmetic synthesis, but they reinforce why the base case—not bull—must govern the valuation test. With two qualitative YELLOW gates and a valuation FAIL, the downstream verdict framework cannot produce BUY or WATCH from this synthesis.

Tie-out checks

- **PASS — Reported-financial and statutory-bridge tie-out for TTM and latest FY.** FY2025 revenue: `6,386.3 + 1,824.4 + 2,019.2 = 10,229.9`, exactly consolidated. TTM revenue: `7,483.9 + 1,750.3 + 2,245.4 = 11,479.6`, exactly consolidated. FY2025 OI: `2,313.8 - 12.0 - 271.7 - 200.4 = 1,829.7`. TTM OI: `2,784.0 - 9.4 - 341.2 - 258.8 = 2,174.6`. Residuals are USD 0.0 million, inside the sealed USD 0.1 million tolerance and ±2%. Files: `statutory_bridge.json`; data package Sections 2, 3, and 3a.

- **PASS — NI / shares / listed unit / FX equals EPS.** Bear: `1,493.3570 / 393.8274 × 1.0 × 1.0 = 3.7919`. Base: `3,508.6197 / 393.8274 × 1.0 × 1.0 = 8.9090`. Bull: `5,099.3441 / 393.8274 × 1.0 × 1.0 = 12.9482`. Reporting currency, quote currency, financial share, and listed unit all reconcile explicitly. Files: `quote_packet.json`; Sections 5 and 6 of this appendix.

- **PASS — Segment sum at horizon.** Bear `13.7554 / (9.1272 + 1.9263 + 2.7019) = 100.00%`; base `20.2964 / (13.9214 + 2.5713 + 3.8037) = 100.00%`; bull `25.6477 / (17.6077 + 3.2225 + 4.8175) = 100.00%`. Corporate eliminations are zero because regional net sales are exhaustive. Files: all three segment appendices Section 10; Section 3 above.

- **PASS — Product-to-segment rollup.** Each reviewed regional appendix uses the finest disclosed financial line, a single geographic total, because regional product dollars are not available on the controlling basis. Americas, EMEA, and APAC each show component revenue equal to segment revenue in bear, base, and bull, with a 0.0% residual. No fictitious product allocation is introduced. Files: each `appendix_B_*` Section 10.

- **PASS — Weighted margin check.** Each segment contains one 100%-weighted modeled financial line. Therefore the revenue-weighted segment margin equals that line's margin exactly: Americas 22.5% / 29.5% / 31.0%; EMEA 17.0% / 22.5% / 25.0%; APAC 10.0% / 14.5% / 17.0%. Profit checks reproduce every displayed regional profit within USD 0.1 million. Files: segment appendices Sections 9 and 10.

- **PASS — Share count and security-unit path.** `392.746991m × 1.0 split factor = 392.746991m` quote-basis financial shares; `392.746991m / (1.0 depositary × 1.0 class factor) = 392.746991m` listed-unit equivalents. Forward shares tie as `392.746991 + 5 × 0.216086 - 0 = 393.827423m`. The entire path is five years and is run in financial shares. Files: `quote_packet.json`; quant foundation P6; Section 6 above.

- **PASS — Growth plausibility.** Americas base CAGR 13.22% is below `1.2 × 28.9% = 34.68%`; EMEA 8.00% is below `1.2 × 10.62% = 12.74%`; APAC 11.12% is below `1.2 × 15.0% = 18.0%`. No comparable-company override or extraordinary justification is required. Each path also decelerates or remains bounded relative to the latest regional evidence. Files: segment appendices Sections 6 and 8.

- **PASS — Historical arithmetic over exactly five years.** Using displayed CAGRs, Americas produces USD 9.1272 / 13.9233 / 17.6056 billion versus displayed USD 9.1272 / 13.9214 / 17.6077 billion, maximum residual 0.014%. EMEA produces USD 1.9259 / 2.5718 / 3.2220 billion versus USD 1.9263 / 2.5713 / 3.2225 billion, maximum residual 0.023%. APAC produces USD 2.7018 / 3.8041 / 4.8166 billion versus USD 2.7019 / 3.8037 / 4.8175 billion, maximum residual 0.020%. All are inside 1%; differences reflect displayed CAGR rounding. Files: segment appendices Sections 8 and 10.

- **PASS — Recency anchor.** Base first-forward-year revenue is `9.2800 + 1.8728 + 2.6496 = 13.8024` billion, 20.23% above TTM. It is only 1.41% below current FY2026 guidance midpoint of USD 14.0 billion and 1.72% above the USD 13.8 billion low end. The implied 20.23% growth is 3.87 percentage points below Q2 FY2026's reported 24.1% growth. Quantified current guidance and quarterly evidence therefore support the step, and it is comfortably within the permitted 10% comparison band. Files: data package Sections 3 and 5; regional Section 8 annual paths.

- **PASS — Period and horizon integrity.** The anchor uses four non-overlapping quarters: Q3 FY2025, Q4 FY2025, Q1 FY2026, and Q2 FY2026. The end date is 2026-06-30 and the valuation horizon is exactly 2031-06-30, five calendar years later. Every segment table compounds for five periods from TTM, not from FY2025; no six-year row or overlapping cumulative bridge is used. Files: gate manifest Stage 0; data package P4 reproduction; segment Sections 8 and 10; Sections 1 and 9 above.

- **PASS — Valuation, unit bridge, packet hashes, and probability arithmetic.** Recomputed SHA-256 values match quote packet `a812be65b0c6315cc732fee8d1122a9ab250fc5ce666bfaed71f1529e722934e` and statutory bridge `c740adfd22f373f6a849bc4ada925c32cdcf7bcb3ab4fbd21a8fdf95838ef433`. XNYS:VRT, USD 241.57 raw close, split 1.0, listed-unit factor 1.0, and FX 1.0 reproduce the sealed unit basis. EPS × 15 is USD 56.88 / 133.64 / 194.22. Probabilities `25% + 50% + 25% = 100%`; weighted EPS is `8.6395`. Base cushion is `(133.6354 - 241.57) / 241.57 = -44.68%` and controls the binary FAIL. Files: `quote_packet.json`, `statutory_bridge.json`, gate manifest, and Sections 7 and 11 above.

Synthesis gate: 11/11 required tie-outs pass. **P/E 15 gate: FAIL — cushion (44.68)%**. **Trade execution authorized: NO**.

Appendix CS - Compounder Score

Vertiv Holdings Co — Compounder Score

Ticker / exchange: VRT / NYSE **Analysis date:** 2026-08-02 **Reporting and quote currency:** USD **Fiscal year-end:** December 31 **TTM anchor:** 2026-06-30 **Exact horizon:** 2026-06-30 to 2031-06-30, 5.0 years **Sealed price:** USD 241.57 per listed Class A common share, completed NYSE close on 2026-07-31 **Quote-packet SHA-256:** `a812be65b0c6315cc732fee8d1122a9ab250fc5ce666bfaed71f1529e722934e` **Synthesis SHA-256:** `09e8852d108eef6746ffde71f89175c368a617168dc72f1c7bf45eb356613d4a` **Authority:** Diagnostic research only. No trade, ranking, sizing, broker, or messaging authority. `trade_execution_authorized=false`.

1. Executive Verdict

Compounder Score: 64/100. Business Quality Score: 62/80. 20% Return Underwriting Score: 2/20. Score-implied classification: Reject.

Vertiv is a promising but incompletely proven compounder whose current price capitalizes substantially more than the cleared operating model supports. The evidence supports a genuine operating inflection: TTM revenue is USD 11.480 billion, statutory operating margin is 18.94%, TTM analytical FCF is USD 2.924 billion, the balance sheet is approximately net cash excluding leases, and the Americas systems-and-service franchise is producing excellent current economics. The evidence does not support calling this a cycle-tested dream business. Five-year median normalized ROIC is only 12.7%; acquisition-inclusive five-year ROIIC is approximately 26.5%; most of the margin evidence comes from the last three years; acquisition-return disclosure is inadequate; and the moat and 2046 tests are both YELLOW.

Valuation is the decisive defect. At USD 241.57, market capitalization is approximately USD 94.876 billion and enterprise value is approximately USD 94.705 billion before leases, equal to about 55.13x TTM normalized NOPAT and 32.45x TTM FCF. The cleared synthesis already failed the P/E 15 gate: base EPS of USD 8.9090 supports only USD 133.64 at 15x, a negative 44.68% cushion, while even bull EPS of USD 12.9482 supports only USD 194.22 at 15x.

Using much higher, but still materially compressed, terminal EV/NOPAT multiples of 14x / 18x / 22x produces finite five-year gross USD shareholder IRRs of **-25.5133% bear, -7.0959% base, and 4.1337% bull**. Probability-weighted terminal wealth is USD 171.3942 per current share; its CAGR is **-6.6336%**, calculated from wealth, not by averaging scenario IRRs. The base case does not require multiple expansion: its 18x exit multiple is far below the current 55.13x. It still loses money. A 20% base-case return would require approximately 65.93x terminal EV/NOPAT, about 19.60% above today's already elevated multiple, or a maximum purchase price of only USD 67.19 under the modeled base terminal wealth.

Confidence is **Medium**. Financial-statement, share-count, price, and synthesis evidence are high confidence and hash-bound. ROIIC and reinvestment attribution are medium confidence because regional capital, acquisition returns, current product profitability, and capacity utilization are not disclosed.

2. Data Source Map

Evidence need	Controlling source	Period / currency	Use and confidence
Price, listed unit, shares	`quote_packet.json`; `quant_foundation.md` P-Quote	2026-07-31 close; USD	USD 241.57; one listed unit equals one financial share; high
Income statement and TTM	`quant_foundation.md`; `data_package.md`; SEC 10-K/10-Q chain cited there	FY2021-FY2025 and TTM 2026-06-30; USD	Statutory revenue, OI, tax, NI; high
Balance sheet and liquidity	`quant_foundation.md` P6; `data_package.md` §5	2026-06-30; USD	Cash, investments, debt, leases, equity; high
Cash flow, SBC, capital return	`quant_foundation.md` P6; `data_package.md` §2	FY2021-FY2025 and TTM; USD	CFO, capex, FCF, acquisitions, dividends, buybacks; high
Ten-year context	Fresh FMP annual income, balance, cash-flow and key-metric pulls in run `cs_fmp_*_10y_VRT.json`	FY2016-FY2025; USD	Context only before 2020 due ownership/taxonomy changes; medium
Segment economics	Reviewed Americas, EMEA and APAC appendices	FY2023-FY2025 and TTM; USD	Current-basis segment Operating profit (loss); high
Forward EPS and shares	`appendix_synthesis.md`, 11/11 tie-outs passed	2031-06-30; USD	Bear/base/bull statutory model; high

Evidence need	Controlling source	Period / currency	Use and confidence
Management / allocation	`appendix_management.md`	Through 2026-06-30	YELLOW; execution strong, allocator record incomplete; high
Moat / pricing / competition	`appendix_moat.md` and reviewed segment appendices	Current and 2046 test	Moat YELLOW; pricing not isolated; medium-high
TAM and demand visibility	`data_package.md` §4 and segment appendices	FY2025-Q2 FY2026	USD 15bn FY2025 backlog, capacity and architecture evidence; medium
Governance and compensation	`appendix_management.md`; 2026 proxy cited there	2026 proxy	Incentives, ownership, board and litigation; high

Fresh ten-year FMP pulls were used only to extend context and were copied without overwrite to the investing warehouse. Official filings control where FMP operating-income taxonomy differs. The pre-2020 observations describe a different ownership and portfolio period; no ten-year ROIIC score is manufactured from them.

3. Key Financial and Quality Metrics

Normalized NOPAT equals statutory operating income multiplied by 79%, a constant 21% normalized tax rate. Analytical FCF equals CFO less PP&E capex and capitalized software. Period comparisons are shown only where the underlying series is meaningful.

Metric	1-year / latest	3-year	5-year	10-year / available context
Revenue growth	Q2 FY2026 YoY 24.1%	FY2022-FY2025 CAGR 21.6%	FY2020-FY2025 CAGR 18.6%	FY2016-FY2025 CAGR 11.2%; contextual
Normalized NOPAT CAGR	TTM vs FY2025 not comparable as a full-year interval	FY2022-FY2025 approximately 102%	FY2020-FY2025 40.3%	Not meaningful; 2016 operating profit near zero
Analytical FCF CAGR	FY2025 66.3% YoY	Not meaningful from negative FY2022	FY2020-FY2025 64.6%	Not used; legacy cash-flow comparability weak
Adjusted / normalized ROIC	FY2025 19.1%; R&D-adjusted diagnostic 20.6%	Median FY2023-FY2025 19.1%	Median FY2021-FY2025 12.7%	Insufficient comparable evidence
Acquisition-inclusive ROIIC	FY2025 capital step dominated by M&A	49.8%	26.5%	Insufficient comparable evidence
Organic ROIIC excluding goodwill growth	Diagnostic only	73.8%	48.5%	Insufficient comparable evidence
Acquisition-inclusive reinvestment rate	FY2025 approximately 133%	Approximately 79%	Approximately 124%	Not comparable
FCF / NOPAT conversion	FY2025 130.6%; TTM 170.2%	FY2023-FY2025 117.9%	FY2021-FY2025 101.3%	Not comparable
Reported operating margin	TTM 18.94%	FY2023-FY2025 average 15.9%	FY2021-FY2025 average 11.4%	Legacy context shows far lower margins
Net debt / EBITDA	Approximately (0.07)x excluding leases	Deleveraging	FY2025 0.78x	Not comparable
Diluted share CAGR	TTM denominator 391.865m	FY2022-FY2025 1.1%	FY2020-FY2025 4.9%; SPAC/capital-structure distorted	Not comparable
SBC / revenue	TTM 0.46%	Low and stable	FY2021-FY2025 about 0.4%-0.5%	Not comparable
SBC / FCF	TTM 1.79%	Low since FCF recovery	2022 distorted by negative FCF	Not comparable
Current EV / NOPAT	55.13x	Historical year-end diagnostic: about 30x in 2023	2024-2025 about 42x-44x	Pre-inflection not decision-useful
FCF yield / dividend yield / net buyback yield	3.08% / 0.09% / 0.00%	Buybacks episodic	2024 repurchase was price-sensitive	Not applicable

FY2025 adjusted ROIC is derived conservatively. Reported normalized NOPAT is `USD 1,829.7m × 79% = USD 1,445.5m`. FMP invested capital of USD 7,565.9 million gives 19.1% on ending capital. Using average 2024-2025 capital gives 21.9%. Excluding average goodwill raises the diagnostic to about 29.3%, demonstrating why goodwill must remain visible. Capitalizing five years of R&D on a straight-line basis produces an estimated USD 1.084 billion year-end R&D asset and an average adjusted denominator of about USD 7.611 billion; adjusted NOPAT of about USD 1.566 billion yields approximately 20.6%. The score uses the five-year median 12.7%, not the best latest measure.

4. Rubric Scorecard

Category	Score	Maximum	Evidence-based rationale
1. Incremental returns on capital	18	25	1A 2/5; 1B 6/8; 1C 2/3; 1D 3/3; 1E 3/3; 1F 2/3
2. Reinvestment runway	18	20	2A 5/5; 2B 4/5; 2C 4/4; 2D 3/3; 2E 1/2; 2F 1/1
3. Durability of moat	9	15	3A 3/4; 3B 1/3; 3C 2/3; 3D 2/2; 3E 1/2; 3F 0/1
4. Accounting and financial quality	9	10	4A 2/2; 4B 2/2; 4C 2/2; 4D 2/2; 4E 0/1; 4F 1/1
5. Capital allocation discipline	8	10	5A 2/2; 5B 1/2; 5C 2/2; 5D 1/2; 5E 1/1; 5F 1/1
Business Quality Score	**62**	**80**	Promising but incomplete dream-business evidence; management and moat remain YELLOW
6. Price and 20% return underwriting	2	20	6A 0/6; 6B 2/4; 6C 0/3; 6D 0/3; 6E 0/2; 6F 0/2
Compounder Score	**64**	**100**	Below 70; valuation and durability evidence do not earn dream-investment status

Category 1 receives credit for a high three-year acquisition-inclusive ROIIC and real unit-economics improvement, but the five-year acquisition-inclusive result is only 26.5% and the five-year median normalized ROIC is 12.7%. Category 2 is strong because AI and general-compute power density, liquid cooling, backlog, factories and service provide a large organic runway. It is not perfect because current backlog conversion, utilization and regional capital returns are undisclosed.

Category 3 is capped by the cleared YELLOW moat assessment. Vertiv can explain its moat in one paragraph: qualified integrated power-and-thermal designs, high-trust procurement, installed-base switching friction, global field service and system engineering reduce customers' deployment and outage risk. However, pricing power has not been isolated from scarcity, mix and absorption; APAC economics are modest; EMEA is volatile; and Schneider, Eaton, Huawei, Delta, Legrand and specialists can contest the architecture.

Category 4 is strong because cash backs earnings, SBC is low, leverage is low and controls are currently effective. Transparency loses one point because product profit, customer concentration, current backlog, regional invested capital and acquisition returns are not disclosed. Category 5 recognizes rational reinvestment and the highly price-sensitive 2024 repurchase, but acquisition economics and direct ROIC incentives remain incomplete.

Category 6 earns only two points for using a genuinely conservative, contracting multiple range. It earns no hurdle points: base IRR is negative, bear loss is severe, reverse-DCF requirements are implausible, the present multiple prices extensive success, and distributions are immaterial.

5. ROIIC and Reinvestment Analysis

The cleanest source-bound acquisition-inclusive ROIIC uses the change in FMP invested capital, which includes acquisition-created goodwill and intangibles, and official normalized NOPAT. For FY2022 to FY2025, normalized NOPAT rises from `USD 222.0m × 79% = USD 175.4m` to `USD 1,829.7m × 79% = USD 1,445.5m`. Invested capital rises from USD 5,017.4 million to USD 7,565.9 million. Therefore three-year acquisition-inclusive ROIIC is `(1,445.5 - 175.4) / (7,565.9 - 5,017.4) = 49.8%`.

The five-year view is less spectacular and more relevant to a skeptical score. FY2020 normalized NOPAT was approximately USD 265.9 million and invested capital was USD 3,114.5 million. Five-year acquisition-inclusive ROIIC is therefore `(1,445.5 - 265.9) / (7,565.9 - 3,114.5) = 26.5%`. The 3-year result reflects the exceptional 2023-2025 margin recovery; the 5-year result includes the weak 2021-2022 years and more capital.

Excluding goodwill growth raises the three-year and five-year diagnostics to approximately 73.8% and 48.5%, respectively. Those figures are labeled organic diagnostics, not audited organic ROIIC. They show that the operating repair generated substantial profit on tangible incremental capital, but they can overstate economics because acquisitions may contribute revenue and NOPAT even when their goodwill is removed from the denominator. For that reason the score anchors to acquisition-inclusive 26.5% over five years and gives 6/8, not 8/8, on ROIIC.

The reinvestment pattern is real. FY2021-FY2025 PP&E capex and capitalized software totaled roughly USD 741 million, working capital expanded materially, R&D rose from USD 266.4 million to USD 441.7 million, and acquisition cash spending was about USD 2.37 billion. FY2025 alone included approximately USD 1.185 billion of acquisitions. The current balance sheet also carries USD 2.034 billion of goodwill and USD 1.895 billion of intangibles. Growth has not been free.

Cash conversion offsets this concern. Aggregate FY2021-FY2025 analytical FCF of about USD 3.65 billion was approximately 101% of normalized NOPAT; FY2023-FY2025 conversion was about 118%. TTM FCF of USD 2.924 billion is 170% of TTM normalized NOPAT, aided by working-capital timing and therefore not a permanent assumption. The business does not require persistent external financing today, but current inventory of USD 2.523 billion and FY2026 capex near 4% of sales must eventually produce sustained incremental profit.

6. Runway Analysis

The runway is the strongest part of the case. Data-center operators must solve simultaneous power availability, power quality, thermal density, deployment speed and uptime. Management’s roadmap extends from present rack densities near 140 kW toward 300 kW and beyond 1 MW in advanced applications. Vertiv has added fluid management, racks, modular fabrication, testing and heat rejection through PurgeRite, Great Lakes, BMarko, Strategic Thermal Labs and ThermoKey. Organic capacity is also expanding in the Americas, Malaysia and Italy.

The cleared base case is demanding but not absurd: revenue compounds 12.07% from USD 11.480 billion to USD 20.296 billion over five years, with regional deceleration after a strong first year. Americas remains the engine, reaching USD 13.921 billion at 29.5% segment margin; EMEA reaches USD 2.571 billion at 22.5%; APAC reaches USD 3.804 billion at 14.5%. The resulting statutory margin is 22.17% after corporate, foreign-currency and amortization deductions.

The risk is that a large runway does not guarantee attractive shareholder returns. FY2025 companywide backlog of approximately USD 15 billion was unusually high, yet numeric backlog and book-to-bill were not disclosed in Q1 or Q2 FY2026. Inventory, capacity and acquisitions are rising before utilization and customer concentration are visible. Large hyperscale and colocation buyers can dual-source, reschedule projects and bargain aggressively. The runway score therefore grants strong opportunity and a repeatable playbook while withholding perfection for conversion and capital-efficiency uncertainty.

7. Moat Analysis

The moat is real but conditional. Once equipment is specified, qualified, installed, commissioned and embedded in a site, changing suppliers can require redesign, retesting, retraining, new spares and downtime risk. Vertiv adds global procurement, regional manufacturing, system engineering and thousands of service engineers. These advantages are strongest in high-density Americas systems and brownfield service work, not in every component bid.

The cleared moat assessment is YELLOW and the 2046 test is YELLOW. Americas supplies 76.6% of TTM segment operating profit and has a 28.5% margin, but that margin has not been tested after backlog normalization and competitor capacity additions. APAC’s 12.5% margin implies less protection. EMEA’s quarterly margin ranged from 16.6% to 25.7%. Pricing power is indirect: margin improvement reflects mix, absorption, cost and execution as well as price, and no ASP or net price-realization series exists.

The 2046 company can remain relevant by owning grid-to-compute power, chip-to-environment thermal systems and lifecycle service. It can also lose rents if chip and server vendors standardize rack architecture, customers multi-source open modules, and incumbents bundle competing systems. The evidence supports a valuable present franchise, not a twenty-year guarantee of today’s scarcity economics.

8. Accounting and Capital Allocation Analysis

Accounting quality is generally good. Statutory statements reconcile exactly, the quantitative foundation passed 8/8 checks, synthesis passed 11/11 tie-outs, and FCF supports earnings. TTM SBC is only USD 52.2 million, 0.46% of revenue and 1.79% of FCF. Nevertheless, diluted shares rose and the forecast explicitly adds 0.216 million shares annually while assuming no buybacks.

The balance sheet is strong: cash of USD 2.811 billion plus USD 300 million of investments exceeds USD 2.940 billion of debt by USD 171 million, excluding leases. Lease liabilities are USD 316 million. This materially reduces solvency risk, though acquisition goodwill and intangibles remain economically important.

Management's operating record is excellent but the allocation record is shorter. The 2024 repurchase of USD 600 million near USD 66 per share, followed by no repurchase at far higher prices, demonstrates discipline. The capacity and R&D investments fit demand. By contrast, PurgeRite required roughly USD 1.138 billion net cash plus contingent consideration, and three 2026 bolt-on prices and return metrics are undisclosed. Incentives emphasize adjusted operating profit, adjusted FCF and EPS rather than ROIC. Management remains YELLOW until integration controls and returns are proven.

9. 20% Return Underwriting

Terminal valuation uses EV/NOPAT, not the P/E 15 gate. Current EV/NOPAT is approximately 55.13x. Positive-income year-end observations were about 30x in 2023 and 42x-44x in 2024-2025. The 14x / 18x / 22x exit range is therefore source-bound and substantially below both current and recent levels. It is intentionally conservative. Terminal net cash/debt is an explicit scenario assumption, and all scenarios use the synthesis diluted share count of 393.827 million.

Distributions are estimated rather than set to zero. TTM dividends of USD 86.0 million divided by TTM net income of USD 1,732.0 million imply a 4.965% payout ratio. Each scenario applies that payout to an EPS path compounded from TTM EPS of USD 4.4199 to the cleared terminal EPS. Buybacks are zero because none occurred in 2025 or TTM and the current price is far above the 2024 repurchase price.

Measure	Bear	Base	Bull
Current price per listed share	USD 241.57	USD 241.57	USD 241.57
Exact horizon	5.0 years	5.0 years	5.0 years
Probability	25%	50%	25%
Starting revenue	USD 11.4796bn	USD 11.4796bn	USD 11.4796bn
Terminal revenue	USD 13.7554bn	USD 20.2964bn	USD 25.6477bn
Revenue CAGR	3.68%	12.07%	17.44%
Terminal statutory operating margin	14.88%	22.17%	24.47%
Terminal tax rate	23.49%	20.78%	18.06%
Terminal NOPAT	USD 1.5657bn	USD 3.5652bn	USD 5.1424bn
NOPAT CAGR from TTM	(1.84)%	15.72%	24.52%
Underwritten ROIIC diagnostic	8.0%	30.0%	40.0%
Reinvestment-rate diagnostic	35.0%	52.4%	61.3%
Terminal FCF / NOPAT conversion	70.0%	90.0%	100.0%
Buyback yield / dividend payout	0.0% / 4.965%	0.0% / 4.965%	0.0% / 4.965%
Exit EV / NOPAT	14.0x	18.0x	22.0x
Terminal enterprise value	USD 21.9198bn	USD 64.1739bn	USD 113.1326bn
Terminal net cash / (debt)	USD (0.5000)bn	USD 1.0000bn	USD 2.5000bn
Terminal equity value	USD 21.4198bn	USD 65.1739bn	USD 115.6326bn
Terminal diluted shares	393.827m	393.827m	393.827m
Terminal equity value / share	USD 54.3888	USD 165.4885	USD 293.6123
Cumulative distributions / share	USD 1.0018	USD 1.7039	USD 2.1890
Terminal shareholder wealth / share	USD 55.3906	USD 167.1924	USD 295.8014
Gross USD annualized shareholder IRR	**-25.5133%**	**-7.0959%**	**4.1337%**

Scenario arithmetic is explicit. Bear equity value is `(USD 1.5657006bn × 14.0) - USD 0.5000bn = USD 21.419809bn`; per share is `21.419809bn / 393.827423m = USD 54.3888`; terminal wealth is `54.3888 + 1.0018 = USD 55.3906`; IRR is `(55.3906 / 241.57)^(1/5) - 1 = -25.5133%`.

Base equity value is `(USD 3.5652169bn × 18.0) + USD 1.0000bn = USD 65.173904bn`; per share is `65.173904bn / 393.827423m = USD 165.4885`; terminal wealth is `165.4885 + 1.7039 = USD 167.1924`; IRR is `(167.1924 / 241.57)^(1/5) - 1 = -7.0959%`. The 18x exit is far below today's 55.13x and therefore does not require expansion.

Bull equity value is `(USD 5.1423905bn × 22.0) + USD 2.5000bn = USD 115.632591bn`; per share is `115.632591bn / 393.827423m = USD 293.6123`; terminal wealth is `293.6123 + 2.1890 = USD 295.8014`; IRR is

`(295.8014 / 241.57)^(1/5) - 1 = 4.1337%`.

Probability-weighted terminal wealth is `(25% × 55.3906) + (50% × 167.1924) + (25% × 295.8014) = USD 171.3942`. The mandatory weighted annualized return is therefore `(171.3942 / 241.57)^(1/5) - 1 = -6.6336%`. This is the CAGR of probability-weighted terminal wealth, never an arithmetic average of scenario IRRs.

The ROIIC, reinvestment and FCF-conversion rows are underwriting diagnostics, not additional drivers of the already-cleared synthesis. Base ROIIC of 30% is bracketed by the 26.5% five-year and 49.8% three-year acquisition-inclusive history; bull uses 40%, while bear falls to 8%. Base and bull reinvestment rates are approximately NOPAT growth divided by ROIIC, while bear's positive spending alongside contracting NOPAT represents poor absorption and margin reversal rather than a stable-growth identity.

The reverse-DCF result is prohibitive. With an 18x exit EV/NOPAT and 20% annual return, required NOPAT CAGR is `((USD 94.7051bn × 1.20^5) / (18 × USD 1.717934bn))^(1/5) - 1 = 50.11%`. Under the base terminal wealth, the maximum starting price for a 20% IRR is `USD 167.1924 / 1.20^5 = USD 67.19`. Alternatively, holding base earnings and net cash, the required exit multiple is approximately 65.93x EV/NOPAT, 19.60% above today's already high multiple. The 20% case requires multiple expansion and exceptional execution simultaneously.

10. Hard Veto Checklist

Hard veto	Status	Evidence
1. ROIIC below cost of capital with no improvement path	Pass	3-year acquisition-inclusive ROIIC 49.8%; 5-year 26.5%
2. ROIC high only because capital is tiny or negative	Pass	Capital is positive; goodwill-inclusive ROIC remains positive and material
3. Growth requires persistent external financing	Pass	TTM FCF USD 2.924bn; approximately net cash excluding leases
4. Shares rise without per-share value creation	Watch	Dilution is modest recently, but shares rose and buybacks are absent
5. Large acquisitions without disclosed returns	Watch	PurgeRite and bolt-on return scorecards are not disclosed
6. FCF structurally lags earnings	Pass	Five-year FCF / NOPAT approximately 101%
7. Concentration or cyclicality can impair equity	Watch	Americas and hyperscale exposure; backlog normalization not tested
8. The 20% case requires terminal multiple expansion	**Fail**	Base needs approximately 65.93x exit EV/NOPAT versus 55.13x current
9. Flawless execution is needed to justify price	**Fail**	Conservative bull produces only 4.13% IRR; P/E 15 fails even in bull
10. Moat cannot be explained	Pass	Qualification, integrated systems, service density and switching friction
11. Accounting or governance impairs trust	Watch	Controls effective; legacy litigation and active executive chair monitored
12. Balance-sheet risk can wipe out equity	Pass	Net cash excluding leases and USD 5.6bn liquidity

11. Final Decision

Score-implied classification: Reject. Vertiv does not earn dream-investment status under this rubric at USD 241.57. The business-quality evidence is promising but capped by a short high-margin record, YELLOW management and moat gates, limited acquisition-return evidence and incomplete pricing proof. Valuation converts those uncertainties into poor expected returns. This diagnostic classification does not override the Production ER2 gate verdict; it supplies the Stage 7 score rows only.

`Compounder Score note: 64/100; Reject—strong operating inflection is overwhelmed by valuation and unproven cycle durability.`

`Business Quality Score note: 62/80; promising but incomplete dream-business evidence, with management and moat both YELLOW.`

`20% Return UW Score note: 2/20; base IRR is -7.10%, and a 20% return requires terminal multiple expansion.`

The monitoring focus is numerical: Americas margin through backlog normalization, acquisition-inclusive ROIIC after PurgeRite and the 2026 bolt-ons, inventory and FCF conversion as capacity ramps, disclosed service economics, and a price closer to USD 67.19 under the current base case. No trade execution is authorized.

12. Machine-Readable JSON

The complete machine-readable artifact is `compounder_score.json`. It contains finite bear, base, bull and probability-weighted return fields, scenario wealth bridges, category scores, threshold tests and `trade_execution_authorized=false`.

Appendix CSA - Scoring Audit

Vertiv Holdings Co - Scoring Audit

Ticker: VRT **Analysis date:** 2026-08-02 **TTM anchor / horizon:** 2026-06-30 / 2031-06-30, exactly 5.0 years **Current price:** USD 241.57 per NYSE-listed Class A common share **Authority:** Scoring audit only. No trade, ranking, sizing, broker, or messaging authority. `trade_execution_authorized=false`.

The input integrity check passed. `appendix_compounder_score.md` has SHA-256 `b5991abb738501ad3ba848de21d2929428a5d2b4f9a3c5fd00490d418368cbdd`, and `compounder_score.json` has SHA-256 `a1609843aab5e50c2b82c5eb234e166407d28cfa7573f1eb527f699f9039fa0e`, exactly matching the dispatch. The score report and JSON agree on every aggregate score, classification, scenario probability, and mandatory gross return.

1. Original vs Audited Scores

Item	Original	Audited	Notes
Business Quality Score / 80	62/80	53/80	Valid cash, ROIIC, balance-sheet, and operating evidence preserved; unsupported unit economics and durability claims capped
Valuation / 20% Return UW Score / 20	2/20	0/20	The 2 points in 6B contradict the rubric because the 20% hurdle requires major, not mild, multiple expansion
Total Score / 100	64/100	53/100	Below 70 before and after audit
Classification	Reject	Reject	Threshold classification is unchanged

The original business-quality work is directionally useful, but several qualitative subcategories were scored as if current-cycle strength proved repeatability. It does not. The audited score preserves the documented operating inflection, acquisition-inclusive ROIIC, multi-year cash conversion, low SBC burden, net-cash balance sheet, present moat mechanisms, and price-sensitive 2024 repurchase. It removes points where the evidence base expressly says units, ASP, utilization, product profitability, acquisition returns, service retention, and current backlog conversion are unavailable.

2. Score Reductions and Reasons

Rubric item	Original	Audited	Evidence status	Audit decision
1A Normalized ROIC	2/5	2/5	Supported	Preserve; five-year median is 12.7%
1B ROIIC	6/8	6/8	Supported with limits	Preserve; 3-year and 5-year acquisition-inclusive calculations reproduce at 49.8% and 26.5%
1C ROIIC trend	2/3	2/3	Partly supported	Preserve; two endpoint windows show improvement, but not a full-cycle series
1D Unit economics	3/3	1/3	Missing data	Reduce; segment margins are real, but units, ASP, utilization, product profit, service attach, and retention are undisclosed
1E Cash conversion	3/3	3/3	Supported	Preserve; five-year aggregate FCF/NOPAT is 101.3%
1F Not an accounting artifact	2/3	2/3	Supported	Preserve; goodwill-inclusive and excluding-goodwill views are distinguished
2A Market opportunity	5/5	4/5	Partly supported	Reduce; backlog and organic growth are hard evidence, but long-run TAM and conversion rely partly on management claims

Rubric item	Original	Audited	Evidence status	Audit decision
2B Reinvest at scale	4/5	3/5	Partly supported	Reduce; recent capacity and acquisition spend is large, but realized returns are not yet disclosed
2C Organic growth	4/4	4/4	Supported	Preserve; historical growth and Q2 organic growth are filed or issuer-reported
2D Repeatable playbook	3/3	2/3	Partly supported	Reduce; the repair is impressive but has not repeated through a normal demand cycle
2E Market structure	1/2	1/2	Partly supported	Preserve; qualification friction exists alongside strong competitors and buyer leverage
2F Growth without ROIC collapse	1/1	0/1	Insufficient evidence	Remove; new capacity, inventory, and 2025-2026 acquisitions have not matured
3A Clear advantage	3/4	3/4	Supported	Preserve; integrated systems, qualification, and field service are evidenced
3B Pricing power	1/3	1/3	Partly supported	Preserve; margin evidence is indirect and not isolated from mix or absorption
3C Competitive evidence	2/3	2/3	Partly supported	Preserve; competitor set is clear, but win rates are absent
3D Customer stickiness	2/2	1/2	Partly supported	Reduce; switching friction is credible, but retention, churn, renewal, and service-attach data are missing
3E Stress resilience	1/2	1/2	Partly supported	Preserve; 2022 repair is real but not a mature-cycle test
3F Low disruption risk	0/1	0/1	Unsupported	Preserve zero; open architectures and standardization remain material risks
4A Clean earnings	2/2	2/2	Supported	Preserve; statutory statements and bridges reconcile
4B Cash supports earnings	2/2	2/2	Supported	Preserve; multi-year cash conversion clears the evidence cap
4C SBC and dilution	2/2	1/2	Partly supported	Reduce; SBC is low and modeled, but the issuance proxy is much lower than the recent diluted-denominator movement
4D Balance sheet	2/2	2/2	Supported	Preserve; current net cash is USD 170.8m excluding leases
4E Transparency	0/1	0/1	Missing data	Preserve zero
4F No red flags	1/1	1/1	Supported with watch items	Preserve; controls are effective, while acquired businesses remain temporarily excluded from scope
5A Rational reinvestment	2/2	1/2	Partly supported	Reduce; strategic fit is clear, realized incremental returns are not
5B Acquisition discipline	1/2	1/2	Partly supported	Preserve; acquisition-inclusive history is acceptable, but deal scorecards are absent
5C Buyback discipline	2/2	2/2	Supported	Preserve; repurchases stopped as valuation rose
5D Incentive alignment	1/2	1/2	Partly supported	Preserve; FCF helps, but no ROIC hurdle exists

Rubric item	Original	Audited	Evidence status	Audit decision
5E Owner mentality	1/1	1/1	Supported	Preserve; direct CEO ownership is economically meaningful
5F Past decisions	1/1	1/1	Supported with limits	Preserve; the operating repair and repurchase timing are observable
6A Base IRR	0/6	0/6	Supported calculation	Preserve zero; base IRR is -7.0959%
6B Conservative exit multiple	2/4	0/4	Scoring error	Remove; the rubric allows 1-2 only for mild expansion, while 20% requires 65.93x versus 55.13x current
6C Bear case	0/3	0/3	Supported calculation	Preserve zero; bear IRR is -25.5133%
6D Reverse DCF	0/3	0/3	Supported calculation	Preserve zero; required NOPAT CAGR is 50.11%
6E Not pricing perfection	0/2	0/2	Supported	Preserve zero
6F Cash returns	0/2	0/2	Supported	Preserve zero; modeled distributions are immaterial

Audited category totals are 16/25 for incremental returns, 14/20 for runway, 8/15 for moat, 8/10 for accounting and financial quality, 7/10 for capital allocation, and 0/20 for price and 20% underwriting. The Business Quality Score is therefore 53/80 and the total is 53/100.

3. Unsupported Claims

The evidence does not support a perfect unit-economics score. The source package explicitly states that unit shipments, ASP, utilization, standardized capacity, product-line margin, service attachment, renewals, and retention are not disclosed. Segment margin is useful but is not a substitute for unit economics.

The evidence also does not support calling the expansion playbook fully repeatable or asserting that growth will avoid ROIC compression. The highest-quality record spans the same AI, backlog, pricing-repair, and capacity cycle being underwritten. PurgeRite, Great Lakes, BMarko, Strategic Thermal Labs, and ThermoKey are too recent for return scorecards. Current numeric backlog and book-to-bill after FY2025 are unavailable.

Customer stickiness is credible as a mechanism, not fully measured as an outcome. Qualification, commissioning, downtime risk, spares, and field service create friction, but there is no churn, renewal, retention, win-rate, or service-attach series. The original 2/2 exceeded the evidence.

4. Calculation Errors

The mandatory return arithmetic contains no unresolved error. The scoring error is 6B: a contracting base exit multiple does not earn points when the hurdle still fails and achieving 20% requires major expansion. The rubric says 1-2 points correspond to mild expansion; the required 65.9315x exit EV/NOPAT is 19.60% above the already elevated current 55.1273x and is not mild in economic context.

Core calculations independently reproduce as follows. FY2025 normalized NOPAT is `1,829.7 x 79% = USD 1,445.463m`. Three-year acquisition-inclusive ROIIC is `(1,445.463 - 175.380) / (7,565.9 - 5,017.4) = 49.84%`. Five-year ROIIC is `(1,445.463 - 265.914) / (7,565.9 - 3,114.5) = 26.50%`. Aggregate FY2021-FY2025 analytical FCF of USD 3,651.0m divided by normalized NOPAT of USD 3,602.953m is 101.33%. TTM SBC is 0.45% of revenue and 1.79% of FCF. These support preserving 1B, 1E, and most accounting-quality points.

Current market capitalization recalculates as `USD 241.57 x 392.746991m = USD 94.875891bn`. Current net debt is `2.9398 - 2.8106 - 0.3000 = USD (0.1708)bn`, so enterprise value is USD 94.705091bn. TTM normalized NOPAT is `2.1746 x 79% = USD 1.717934bn`, giving 55.1273x EV/NOPAT.

The diluted-share path also ties mechanically: `392.746991m + 5 x (52.2 / 241.57)m = 393.827423m`, with zero buybacks. This assumption is preserved because it is explicit and the synthesis provides a share-count sensitivity, but it is not conservative enough for full 4C credit: the diluted denominator rose 1.818m between Q3 FY2025 and Q2 FY2026, much faster than the 0.216m annual proxy.

Return bridge	Bear	Base	Bull
Terminal NOPAT, USD B	1.5657006	3.5652169	5.1423905
Exit EV / NOPAT	14.0x	18.0x	22.0x
Terminal enterprise value, USD B	21.919808	64.173904	113.132591
Terminal net cash / (debt), USD B	(0.5000)	1.0000	2.5000
Terminal equity value, USD B	21.419808	65.173904	115.632591
Terminal diluted shares, M	393.827423	393.827423	393.827423
Terminal value per share, USD	54.388819	165.488486	293.612339
Cumulative distributions per share, USD	1.001861	1.704051	2.189183
Terminal shareholder wealth per share, USD	55.390680	167.192538	295.801523
Audited gross USD IRR	-25.5133%	-7.0959%	4.1337%

Distributions independently reproduce from the 4.96536% payout ratio applied to the five annual EPS points on a compounded path from TTM EPS of USD 4.419890 to terminal EPS of USD 3.791907 / USD 8.909028 / USD 12.948169. No mandatory return is null.

At 25% / 50% / 25%, probability-weighted terminal wealth is `0.25 x 55.390680 + 0.50 x 167.192538 + 0.25 x 295.801523 = USD 171.394319`. Its five-year CAGR is `(171.394319 / 241.57)^(1/5) - 1 = -6.6336%`. The arithmetic weighted average of scenario IRRs would be -8.8928%, proving that the published -6.6336% correctly uses weighted terminal wealth rather than averaging IRRs. The maximum base purchase price for 20% is USD 67.1909, and the required base exit multiple is 65.9315x.

5. Missing Data

The most important missing evidence is current numeric backlog and book-to-bill, customer concentration, unit/ASP/utilization data, product and service profitability, service renewal economics, regional invested capital, and realized acquisition returns. Consideration and purchase-price allocation for three 2026 bolt-ons remain incomplete, and the terminal net-cash amounts are scenario assumptions rather than a modeled cash-flow roll-forward. These gaps lower confidence to Medium and cap quality scores; they do not invalidate the finite return bridge.

6. Hard-Veto and Threshold Test Audit

Threshold / veto	Audited result	Reason
Total score at least 80/100	FAIL	53/100
Business Quality at least 65/80	FAIL	53/80
Valuation score at least 15/20	FAIL	0/20
ROIIC plus runway at least 35/45	FAIL	30/45
Base IRR at least 20%	FAIL	-7.0959%
Bear IRR at least 8-10%	FAIL	-25.5133%
No hard vetoes	FAIL	Vetoes 8 and 9 remain
No required multiple expansion	FAIL	A 20% base return needs 65.9315x exit EV/NOPAT

7. Final 20% Hurdle Pass/Fail

FAIL. The 20% case requires both exceptional execution and terminal multiple expansion. Base, probability-weighted, and even bull returns are far below 20%. The calculation is finite, internally reconciled, and adverse to the thesis.

8. Dream Business / Dream Investment Classification

Neither. Vertiv has promising business attributes, but 53/80 does not establish dream-business status under the diagnostic calibration. At USD 241.57, 0/20 clearly fails dream-investment status. The single biggest reason is valuation: even the bull terminal wealth produces only a 4.1337% gross USD IRR, while the base case loses value.

9. Stage 7 Scorecard Notes

Compounder Score note: 53/100; Reject - evidence caps and extreme valuation prevent dream-investment status.

Business Quality Score note: 53/80; promising operating evidence remains too incomplete and cycle-dependent for dream-business status.

20% Return UW Score note: 0/20; every finite scenario misses 20%, and the base hurdle requires major multiple expansion.

10. Auditor JSON

The complete machine-readable audit is in `compounder_score_audit.json`. It preserves full-precision return inputs, the weighted-terminal-wealth method, score reductions, data gaps, and all authority fields set to false.

Appendix RT - Red Team

Vertiv Holdings Co (VRT) — Red-Team Appendix

Assessment date: 2026-08-02 **Forecast anchor:** TTM ended 2026-06-30 **Exact horizon:** 2031-06-30, exactly five calendar years after the TTM anchor **Stage 5 price anchor:** USD 241.57 per NYSE-listed Class A common share **Authority:** Research challenge only. No trade, ranking, sizing, broker, messaging, or execution authority.

Executive verdict

The thesis does not survive the red team as an investable proposition at the Stage 5 price. The operating business may keep growing, but the underwriting asks the investor to pay today for an Americas profit pool that remains near scarcity-cycle economics while competitors add capacity, customers seek interchangeable architectures, and Vertiv withholds the current backlog and book-to-bill evidence needed to distinguish durable demand from reserved capacity. The audited return bridge already reaches the correct adverse conclusion: 53/100 total, 53/80 business quality, 0/20 return underwriting, and **Reject**. Audited gross USD IRRs are -25.5133% bear, -7.0959% base, 4.1337% bull, and -6.6336% probability-weighted using weighted terminal wealth. Even the bull case fails to earn an adequate return, and every scenario fails the P/E-at-15 gate; the base cushion is -44.68%.

The red team therefore is not searching for a minor forecast miss that would change a BUY into a WATCH. It is identifying why an already-failed valuation could be paired with weaker-than-modeled earnings. The decisive issue is concentration: Americas supplies 65.2% of TTM segment revenue and 76.6% of TTM segment operating profit. Stage 5 then assigns Americas 73.0% of the base-case consolidated revenue increase and 78.4% of base horizon segment profit. If that one pool normalizes, neither APAC nor EMEA is large or profitable enough to repair the model.

1. The most fragile assumption

The single most fragile Stage 5 assumption is the **Americas reportable-segment base revenue path**: TTM revenue of USD 7.4839 billion compounds at 13.22% to USD 13.9214 billion, through annual growth of 24%, 17%, 12%, 8%, and 6%. This is the largest line in the combined revenue table and the largest sensitivity in Stage 5. The forecast is not absurd—Q2 FY2026 Americas sales grew 29.2%—but it is under-evidenced. There is no current Americas backlog, order, or book-to-bill series, while the company stopped publishing numeric companywide backlog after the approximately USD 15 billion FY2025 disclosure. The model consequently treats backlog, pipeline, capacity, and long project cycles as visibility without a conversion schedule, cancellation analysis, or regional mix.

Fragile line	Stage 5 base	Stress	Recalculated result	Why it matters
Americas revenue CAGR	13.22%	11.22%, down 200 bps	Base EPS falls from USD 8.9090 to USD 8.2753	USD 0.6337, or 7.11%, EPS loss from one operating change
Americas horizon revenue	USD 13.9214bn	USD 12.7363bn	USD 1.1851bn less revenue	Americas is 73.0% of modeled base revenue growth
P/E-at-15 requirement	USD 16.1047 EPS	Unchanged	Still fails by a wide margin	A favorable sensitivity cannot rescue valuation

The stress is exactly the synthesis Section 10 sensitivity, not a new plug. A 200-basis-point miss is modest relative to the gap between current growth and mature physical-infrastructure growth. It can arise without an AI spending collapse: utility interconnection delays, customer rescheduling, duplicate reservations, procurement dual-sourcing, or competitors meeting delivery lead times would be sufficient. Eaton's official fourth-quarter 2025 materials reported Electrical Americas data-center orders up approximately 200%, revenue up approximately 40%, and segment margin of 29.8%, while backlog rose 31%. That evidence confirms demand, but it also disproves any implicit scarcity claim that only Vertiv can scale into it ([Eaton Q4 2025 r esults](https://www.eaton.com/us/en-us/company/news-insights/news-releases/2026/eaton-reports-record-fourth-quarter-202 5-results.html)).

The deeper fragility is that the model grants high growth and stable-to-rising margin simultaneously. At Stage 5's Americas horizon revenue, reducing the terminal Americas segment margin from 29.5% to 24.0% cuts segment profit by USD 765.7 million. After the 20.78% base tax rate, that reduces EPS by USD 1.5402 to approximately USD 7.3688, holding the other Stage 5 assumptions constant. A 24% margin is not a disaster outcome; it remains far above FY2023's 19.8%. It is simply what happens if industry capacity, customer bargaining, and mix normalize the current 28.5% TTM margin.

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

The most likely Stage 5 output to be revised down is the **22.17% base-case statutory operating margin at 2031-06-30**. It is 323 basis points above the 18.94% TTM statutory margin even though the forecast horizon follows an extraordinary backlog, pricing-repair, AI-capacity, and factory-absorption cycle. The model requires all three regions to expand their segment margins at once: Americas from 28.48% to 29.5%, EMEA from 21.26% to 22.5%, and APAC from 12.48% to 14.5%. It then assumes corporate and other stays within a narrow historical percentage range and acquisition amortization declines despite a fresh acquisition wave.

Holding each region's horizon margin at its current TTM level—while retaining every base revenue forecast—reduces combined segment profit by USD 250.2 million and base EPS by USD 0.5033 to roughly USD 8.4057. That is not the bear case; it merely removes simultaneous regional margin expansion. The forecast leans on factory absorption, service attachment, integrated-system mix, engineering reuse, and pricing, yet units, ASP, utilization, service attachment, renewal, product profitability, and regional invested capital are not disclosed. The scoring auditor correctly removed quality points for these gaps. A margin output built from unobservable drivers deserves a larger discount than Stage 5 gives it.

The terminal diluted share count of 393.827 million is a secondary optimistic input. It adds only 1.080 million shares over five years, although the diluted denominator rose 1.818 million between Q3 FY2025 and Q2 FY2026. Annualizing that recent movement as a diagnostic—not a forecast—would produce about 404.867 million horizon shares and reduce base EPS to roughly USD 8.6661. The synthesis acknowledges this weakness; the red team treats it as another reason not to credit the displayed base EPS as conservative.

3. The strongest bear case, in its strongest form

The market is capitalizing Vertiv as the scarce system architect for AI power and cooling, but the industry's explicit direction is toward open, fungible, multi-vendor infrastructure. The Open Compute Project's Open Data Center for AI initiative seeks standard facility reference designs, power interfaces, cooling CDUs, and service-level frameworks; its stated goal includes more fungible physical facilities ([OCP Open Data Centers for AI](https://www.opencompute.org/community/open-data-centers-for-ai)). Schneider has assembled an end-to-end liquid-cooling portfolio through Motivair, including CDUs from 105 kW to 2.5 MW, while Eaton is posting Vertiv-like data-center growth and nearly 30% Electrical Americas margins ([Schneider liquid-cooling portfolio](https://www.se.com/ww/en/about-us/newsroom/news/press-releases/Schneider-Electric-Unveils-Liquid-Cooling-Portfolio-with-Motivair-Featuring-Dedicated-Solutions-and-Services-for-HPC-and-AI-Workloads-68d69e595c9dbb622505caf3/)).

Within two to four quarters, customers can retain strong AI capex plans while qualifying second sources, standardizing interfaces, rescheduling power-constrained campuses, and demanding price or delivery concessions. Vertiv's newly added factories, labs, acquisitions, and USD 2.523 billion of inventory would then create under-absorption precisely when the approximately USD 15 billion backlog rolls off. Americas segment margin falling below 24% is the observable anchor: because the region supplies more than three quarters of segment profit, that decline would show the current economics were cycle rent rather than a durable systems moat.

4. Cross-examination of management commentary

Management statement	Skeptical reading	First evidence that it is wrong
After the large Q4 order intake, the pipeline continued to grow. Q4 FY2025 call; [data package §7](./data_package.md)	Pipeline is not binding backlog, conversion timing, or margin. Numeric orders, backlog, and book-to-bill disappeared in Q1 and Q2 FY2026 despite management previously discussing future quarterly updates.	Reintroduced backlog below USD 15bn without equivalent revenue conversion; book-to-bill below 1.0; or inventory rising faster than sales
Much of the added capacity would begin contributing in 2H26. Q1 FY2026 call; [data package §7](./data_package.md)	“Contributing” can mean available, not qualified or efficiently utilized. Inventory rose from USD 1.457bn at FY2025 to USD 2.523bn by Q2 FY2026 while capex accelerated.	Americas margin below 26% as new capacity opens, plus inventory days failing to improve over two quarters
EMEA was soft but expected to rebound in 2026. Q3 FY2025 call; [data package §7](./data_package.md)	The forecast had already missed its first broad confirmation: EMEA H1 FY2026 remained down 8.4%, and Q2 growth was only 1.7%.	EMEA sales growth below 5% through Q4 FY2026 or TTM segment margin below 19%

Management's record of raises, cash conversion, and owning the 2025 execution issues is real. The cross-examination is about evidence quality, not credibility by accusation. When management withdraws the very order and backlog numbers that would validate a capacity-led forecast, the model must not substitute tone for measurement. “Demand intensifies” and

“pipeline strengthens” can both remain true while shipment timing, price, project mix, and returns deteriorate.

5. Stage 5 tie-out reverification

The recency anchor is valid. Stage 5 uses four non-overlapping quarters—Q3 FY2025, Q4 FY2025, Q1 FY2026, and Q2 FY2026—to construct TTM ended 2026-06-30. Segment revenue sums exactly to USD 11.4796 billion, statutory operating income to USD 2.1746 billion, pretax income to USD 2.1137 billion, and net income to USD 1.7320 billion. The model is not stale because of a period-selection error. The risk is that a mathematically current TTM captures peak backlog conversion and therefore is economically above normalized demand.

The share path is mechanically correct but not demonstrably conservative. Zero buybacks is sensible at USD 241.57 because management stopped repurchasing as valuation rose. The weak link is using TTM SBC expense divided by the current share price to proxy annual issuance: option exercises and denominator mechanics already moved shares faster than that proxy. Stage 5 discloses the limitation and a ±5% sensitivity, so this is a constrained uncertainty rather than an arithmetic defect.

There is no hidden product CAGR to audit because the reviewer-cleared segment appendices correctly avoid inventing regional product splits. The cross-company warning is at the segment level: Americas' 13.22% base CAGR and 29.5% terminal margin exceed the mature profile implicit in Eaton's 2026 company guidance of 7%–9% organic growth, even while Eaton's Electrical Americas business is scaling aggressively. Vertiv names backlog, rack density, system integration, and service as structural reasons, but current backlog conversion and service economics are not disclosed. The justification is plausible, not proved.

6. Attack on any score-derived 20% return claim

No audited 20% return claim survives, and the red team agrees with the 0/20 score. The five-year terminal wealth required to earn 20% from USD 241.57 is USD 601.1035 per share. Stage 5's base terminal wealth is only USD 167.1925, 72.19% short of that requirement; even bull terminal wealth of USD 295.8015 is 50.79% short. The audited base case would need a 65.9315x exit EV/NOPAT multiple, 19.60% above the already elevated current 55.1273x, despite the company being five years larger and more mature. That is not underwriting; it is assuming multiple expansion on top of exceptional execution.

The first return assumption to break is therefore **exit valuation**, not NOPAT CAGR. Base NOPAT may grow strongly and shareholders can still lose money because the starting price capitalizes far more than the modeled terminal economics. The probability-weighted -6.6336% IRR is correctly computed from probability-weighted terminal wealth of USD 171.3943, not from an arithmetic average of scenario IRRs. The return failure is not a calculation mistake and cannot be repaired by the score, a buyback assumption, or modest distributions. The audited 53/100 is a diagnostic classification, not authorization to trade, rank, or size the security.

7. The signal that forces an exit

Research-level exit signal: Americas segment **Operating profit (loss) margin below 24.0% for two consecutive reported quarters within the next four quarters, through Q2 FY2027**. If a position exists, confirmation of this signal should force an exit decision by the owner; this appendix does not authorize execution.

This is intentionally one disclosed metric, one threshold, and one time window. A single quarter can be distorted by project timing or capacity ramp cost, so two consecutive quarters are required. The 24% threshold sits 448 basis points below the 28.48% TTM anchor, but it is still above FY2023. Breaching it while demand remains nominally strong would show that competition, pricing, mix, or under-absorption is overwhelming Vertiv's claimed integration and service advantages. Because Americas is 76.6% of TTM segment profit, the signal invalidates the base margin path and the moat's strongest profit pool; waiting for consolidated EPS to reveal the same break would be slower and noisier.

8. Conviction after the red team

Thesis does not survive. The synthesis should be rewritten around the proposition that Vertiv is a high-quality current-cycle operator whose earnings are concentrated in an Americas scarcity and capacity-conversion rent, not yet a proven long-duration compounder. Strong AI infrastructure demand is not the disputed variable. The disputed variable is value capture after competing capacity, open standards, customer dual-sourcing, and grid-constrained delivery normalize the market.

The conclusion remains Reject even if the operating thesis survives because valuation supplies no margin of safety: base and probability-weighted returns are negative, bull is only 4.1337%, and all P/E-at-15 scenarios fail. An upgrade would require

both a materially lower entry price and evidence that Americas margin stays above 25% through backlog normalization, with current backlog/book-to-bill restored, inventory days improving, service economics becoming observable, and acquisition returns disclosed. Until then, the most honest framing is not “great company, expensive stock.” It is “unproven durability, opaque conversion evidence, and a price that already defeats the return case.”

Appendix D - Data Package (Raw Historicals)

Vertiv Holdings Co (NYSE: VRT) — Production ER2 Data Package

Run ID: `pulse-cio-20260802T140428+0800` **As-of date:** 2026-08-02 **Latest reported period:** Q2 FY2026, quarter ended 2026-06-30, released and filed 2026-07-29 **TTM convention:** Q3 FY2025 + Q4 FY2025 + Q1 FY2026 + Q2 FY2026 **Forecast horizon supplied to downstream agents:** 2031-06-30 **Reporting currency and scale:** USD millions, except per-share data, ratios, and where explicitly noted **Sealed quote-packet SHA-256:** `a812be65b0c6315cc732fee8d1122a9ab250fc5ce666bfaed71f1529e722934e` **Sealed statutory-bridge SHA-256:** `c740adfd22f373f6a849bc4ada925c32cdcf7bcb3ab4fbd21a8fdf95838ef433`

This package is a source-bound handoff, not an investment recommendation. It gives the modeling and qualitative agents one internally consistent set of historical statements, segment economics, operating indicators, management evidence, and disclosure gaps. Statutory figures control over adjusted figures. Where FMP and the issuer differ, the filed or furnished issuer number controls; FMP is used as a live extraction and cross-check layer. No value is silently converted from non-disclosure into a modeled fact.

0a. Industry classification and disclosure inventory

Vertiv is a U.S. domestic filer in critical digital-infrastructure hardware and lifecycle services, with a December 31 fiscal year and geographic reportable segments. The hardware disclosure checklist applies because operating performance depends on product/service mix, orders, backlog, inventory, capacity, technology roadmap, and end-market mix, while standard FMP fields do not capture most of those KPIs. The controlling source set is the FY2025 Form 10-K; Q3 FY2025, Q1 FY2026, and Q2 FY2026 Forms 10-Q; Q4 FY2025 and Q2 FY2026 earnings exhibits; earnings presentations and available live FMP transcripts; and the May 2026 investor-conference materials. FMP's annual and quarterly statements and product/geographic endpoints were live-pulled as corroboration, but FMP is sparse for orders, backlog, capacity, units, ASP, utilization, and product-line profitability.

The official documents were searched for `segment`, `net sales`, `operating profit`, `products`, `services and spares`, `orders`, `backlog`, `book-to-bill`, `units`, ASP, `utilization`, `capacity`, `factory`, `inventory`, `capex`, `research and development`, `customer concentration`, `end market`, `hyperscale`, `colocation`, `liquid cooling`, and `rack density`. Exact product-category sales, units, ASP, utilization, standardized nameplate capacity, product-line gross margin, and current customer concentration were not found. Historic backlog by geographic segment was found for FY2022-FY2023 and is included below; later filings ceased that split, so current segment backlog is a true non-disclosure rather than an omitted table.

Dataset / table family	Official source searched	Search terms / table names	Years available	Included?	If excluded, why	Downstream relevance
Geographic segment economics	2023/2025 10-Ks; 2025/2026 10-Qs and earnings exhibits	Segment; regional results; net sales; operating profit	FY2021-FY2025 sales; current-basis FY2023-FY2025 profit; latest four quarters	Yes, Section 3	Legacy FY2021-FY2022 profit is not comparable and is labeled archival	Segment appendices; synthesis
Product / service mix	Annual filings; Q2 FY2026 10-Q and earnings exhibit	Products; services; services and spares; sales by offering	FY2021-FY2025 plus Q2 FY2026	Yes, Sections 3-5	Two Q2 issuer tables use different classifications; both are disclosed below	Mix; margin context
Orders / backlog / book-to-bill	FY2021-FY2025 10-Ks; quarterly earnings materials	Orders; backlog; book-to-bill	FY2021-FY2025 annual backlog; selected 2025 quarters; Q1/Q2 FY2026 qualitative only	Yes, Section 4	Q1/Q2 FY2026 numeric values were not disclosed	Demand visibility; downside cases
Capital / working capital	Annual and Q2 FY2026 statements	Inventory; capex; cash; debt; acquisition	FY2021-FY2025 plus Q2 FY2026	Yes, Sections 2, 4, and 5	None	ROIC; cash conversion; execution risk
Hardware operating KPIs	10-Ks; earnings decks; May 2026 investor materials	Units; ASP; utilization; capacity; factory; rack density	Point-in-time disclosures only	Yes, Section 4	Standardized units, utilization, and nameplate capacity are true non-disclosures	Capacity and moat
Customer / end-market mix	2025 10-K; investor materials	Customer; concentration; hyperscale; colocation; neocloud; enterprise	Current qualitative disclosure	Yes, Sections 4 and 8	No numeric customer or end-market sales table found	Concentration; durability

1. Source scope, controls, and definitions

The live collection used the latest available Vertiv filings and investor materials as of the as-of date, plus fresh FMP pulls made during this run. The controlling primary documents are Vertiv's [FY2025 Form 10-K](https://www.sec.gov/Archives/edgar/data/1674101/000167410126000008/vrt-20251231.htm), [Q2 FY2026 Form 10-Q](https://www.sec.gov/Archives/edgar/data/1674101/000162828026050609/vrt-20260630.htm), and [Q2 FY2026 earnings exhibit](https://www.sec.gov/Archives/edgar/data/1674101/000162828026050323/q22026exhibit991vrt07292026.htm). Earlier period support includes the [FY2023 Form 10-K](https://www.sec.gov/Archives/edgar/data/1674101/000162828024006498/vrt-20231231.htm), Q3 FY2025 and Q1 FY2026 Forms 10-Q, and the Q4 FY2025 earnings exhibit. Investor-day and earnings presentations are used for market, technology, capacity, and management context, not to override GAAP statements.

Fresh FMP data are stored in [`d_live`](</C:/Users/Admin/OneDrive/GPT/ER 2.0/Vertiv Holdings Co/raw/pulse-cio-20260802T140428+0800/d_live>) and copied, without overwriting existing files, to the investing warehouse at [`er2_raw/VRT/pulse-cio-20260802T140428+0800/d_live`](</C:/Users/Admin/OneDrive/Cowork/Investing/data warehouse/er2_raw/VRT/pulse-cio-20260802T140428+0800/d_live>). The pull includes annual and quarterly income statements, annual balance sheets and cash flows, annual key metrics, annual and quarterly product and geographic revenue series, transcript-date metadata, and available Q3 FY2025, Q4 FY2025, and Q1 FY2026 transcripts. FMP returned an empty array for Q2 FY2026 on the first live request and on an identical retry. That is classified as **true source unavailability**, not a failed extraction. For Q2, the official SEC earnings exhibit and 10-Q control; no synthetic transcript language is introduced.

The quantitative foundation and its independent review are available at [`quant_foundation.md`](</C:/Users/Admin/OneDrive/GPT/ER 2.0/Vertiv Holdings Co/quant_foundation.md>) and [`quant_foundation_review.md`](</C:/Users/Admin/OneDrive/GPT/ER 2.0/Vertiv Holdings Co/quant_foundation_review.md>). The review gate states `QUANT FOUNDATION VERIFIED — CLEARED FOR WAVE 1`. The reviewed Q4 FY2025 diluted weighted-average share count is **391,671,334**, the TTM denominator is **391,864,964**, and TTM diluted EPS is **4.4199**. Those values supersede any earlier intermediate share-count transcription.

Definitions used throughout:

- **Revenue** means GAAP net sales.
- **Operating profit** means the issuer's segment measure for Americas, Asia Pacific, and Europe, Middle East & Africa; it is reconciled to consolidated GAAP operating income in Section 3a.
- **Free cash flow (FCF)** means operating cash flow less purchases of property, plant and equipment and capitalized software. This is an analytical, not GAAP, measure.
- **Normalized ROIC** means reported operating income multiplied by 79% (a constant 21% tax rate for cross-year comparability), divided by the live FMP invested-capital denominator. It is a diagnostic, not an issuer KPI.
- **Organic growth, adjusted operating profit, adjusted EPS, and adjusted FCF** are issuer-defined non-GAAP measures and are labeled as such.
- **Backlog and orders** are companywide unless expressly identified otherwise. Vertiv does not disclose backlog, orders, or book-to-bill by geographic segment.

2. Consolidated five-year financial history

Vertiv moved from a low-margin, supply-constrained 2021–2022 base into a much stronger earnings and cash-generation profile during 2023–2025. Revenue roughly doubled from FY2021 to FY2025, but the more consequential change was the step-up in reported operating margin from 5.4% to 17.9%. FY2022 was the trough: operating cash flow was negative, FCF was negative, and working-capital demands were elevated. FY2023 began the inflection, followed by another substantial margin and FCF increase in FY2024 and FY2025.

USD millions except EPS and percentages	FY2021	FY2022	FY2023	FY2024	FY2025
Net sales	4,998.1	5,691.5	6,863.2	8,011.8	10,229.9
YoY growth	—	13.9%	20.6%	16.7%	27.7%
Reported operating income	269.4	222.0	872.2	1,367.4	1,829.7
Reported operating margin	5.4%	3.9%	12.7%	17.1%	17.9%

USD millions except EPS and percentages	FY2021	FY2022	FY2023	FY2024	FY2025
Net income	119.6	76.6	460.2	495.8	1,332.8
Diluted EPS	0.34	(0.04)	1.19	1.28	3.41
Diluted weighted-average shares (millions)	355.545	378.224	386.226	386.325	390.653
Operating cash flow	210.9	(152.8)	900.5	1,319.3	2,113.8
Property, plant and equipment capex	73.4	100.0	127.9	167.0	220.0
Capitalized software	11.2	11.0	6.7	17.1	6.4
Analytical FCF	126.3	(263.8)	765.9	1,135.2	1,887.4
Research and development	266.4	282.0	303.5	367.6	441.7
Normalized ROIC	4.4%	3.5%	12.7%	19.2%	19.1%
Inventory	616.3	822.0	884.3	1,244.4	1,456.5
Inventory days	62.1	69.9	69.5	86.4	79.2

The FY2022 diluted EPS sign is not mechanically inferred from net income because Vertiv's EPS calculation reflected the applicable capital structure and potentially dilutive securities; the filed per-share figure should be retained. For FY2023–FY2025, reported operating income is taken from the statutory issuer statements. Some live FMP operating-income fields differ modestly because of taxonomy mapping; those vendor fields do not control.

The cash-flow history supports two observations for downstream work. First, the earnings transition has been accompanied by real cash conversion: FY2025 operating cash flow was $2,113.8 million and analytical FCF was $1,887.4 million. Second, growth is becoming more capital intensive. Property capex rose from $73.4 million in FY2021 to $220.0 million in FY2025, and management now expects FY2026 capital spending of approximately **4.0% of sales**. That higher investment rate is consistent with the accelerated capacity program but should not be treated as a permanent terminal intensity without further evidence.

Capital allocation was episodic rather than smoothly recurring. Cash acquisition spending in the live cash-flow series was approximately $1,142.0 million in FY2021, $5.0 million in FY2022, $16.9 million in FY2023, $17.6 million in FY2024, and $1,184.8 million in FY2025. Repurchases were approximately $599.9 million in FY2024 and zero in the other displayed years. Cash dividends increased from $3.8 million in FY2021 and FY2022 to $9.5 million in FY2023, $42.2 million in FY2024, and $66.6 million in FY2025. These flows mean per-share models should explicitly separate operating compounding from acquisition and capital-return assumptions.

3. Segments, product mix, and reporting taxonomy

Vertiv's modeled operating segments are **Americas**, **Asia Pacific**, and **Europe, Middle East & Africa (EMEA)**. The geographic revenue taxonomy is stable enough to provide a five-year sales history. FY2021 and FY2022 net sales below are derived from the then-disclosed gross segment sales less intersegment sales. FY2023–FY2025 are the current reported net figures.

Geographic segment net sales, USD millions	FY2021	FY2022	FY2023	FY2024	FY2025	FY2025 mix
Americas	2,187.4	2,728.6	3,844.5	4,500.6	6,386.3	62.4%
Asia Pacific	1,609.0	1,601.3	1,527.8	1,717.8	2,019.2	19.7%
Europe, Middle East & Africa	1,201.7	1,361.6	1,490.9	1,793.4	1,824.4	17.8%
Consolidated net sales	4,998.1	5,691.5	6,863.2	8,011.8	10,229.9	100.0%

The Americas is both the largest and fastest-growing geographic business. Its net sales increased 41.9% in FY2025, versus 17.6% for Asia Pacific and 1.7% for EMEA. That concentration matters: FY2025 Americas revenue represented 62.4% of consolidated sales and its current-basis segment margin was far above Asia Pacific's. EMEA's FY2025 revenue was nearly flat and current-basis segment profit declined, creating an important regional variance rather than a uniformly strong global pattern.

Current-basis segment economics, USD millions	FY2023 sales	FY2023 op. profit	FY2023 margin	FY2024 sales	FY2024 op. profit	FY2024 margin	FY2025 sales	FY2025 op. profit	FY2025 margin
Americas	3,844.5	762.4	19.8%	4,500.6	1,097.8	24.4%	6,386.3	1,714.3	26.8%
Asia Pacific	1,527.8	147.4	9.6%	1,717.8	175.2	10.2%	2,019.2	222.1	11.0%
Europe, Middle East & Africa	1,490.9	297.7	20.0%	1,793.4	439.4	24.5%	1,824.4	377.4	20.7%

Taxonomy warning: the FY2025 Form 10-K reclassified certain prior-year amounts to conform to the current presentation. Its FY2023 segment operating-profit comparatives are Americas $762.4 million, Asia Pacific $147.4 million, and EMEA $297.7 million. Those values differ materially from the legacy FY2023 Form 10-K segment figures of $958.8 million, $248.5 million, and $380.0 million. The current measure incorporates allocations of engineering, research and development, information technology, and certain significant expenses. Accordingly, the current-basis FY2023–FY2025 series is the only segment-profit trend suitable for modeling. Legacy FY2021 operating profit of $441.2 million, $253.4 million, and $217.6 million and FY2022 operating profit of $426.1 million, $274.4 million, and $234.6 million are retained only as archival observations and are **not comparable** to the current basis.

The latest four quarters show the regional run-rate entering the forecast base:

Period	Americas sales	Americas margin	Asia Pacific sales	Asia Pacific margin	EMEA sales	EMEA margin
Q3 FY2025	1,712.4	29.3%	519.8	13.2%	443.6	18.8%
Q4 FY2025	1,886.3	30.1%	492.0	9.9%	501.7	22.1%
Q1 FY2026	1,814.4	27.0%	513.7	13.1%	321.4	16.6%
Q2 FY2026	2,070.8	27.6%	719.9	13.3%	483.6	25.7%
TTM	7,483.9	28.5%	2,245.4	12.5%	1,750.3	21.3%

Q2 FY2026 consolidated sales grew 24.1% year over year. Americas grew 29.2%, Asia Pacific 28.5%, and EMEA 1.7%. This confirms that the latest growth remains concentrated in the Americas and APAC. It also argues against projecting a single consolidated growth rate across all three regions without separate segment assumptions.

Vertiv also reports product and service revenue, but not product-line profitability:

Revenue class, USD millions	FY2021	FY2022	FY2023	FY2024	FY2025	FY2025 mix
Products	3,854.5	4,335.3	5,406.1	6,393.5	8,390.6	82.0%
Services and spares	1,143.6	1,356.2	1,457.1	1,618.3	1,839.3	18.0%
Total	4,998.1	5,691.5	6,863.2	8,011.8	10,229.9	100.0%

For Q2 FY2026, Vertiv's supplemental **sales by product and service offering** table reports products of $2,606.4 million and services and spares of $667.9 million, up 23.0% and 28.6%, respectively. In the same official release, the condensed statement of earnings classifies $2,646.7 million as products and $627.6 million as services; the live FMP product endpoint reproduces that condensed-statement split. Both issuer totals equal $3,274.3 million, but the classifications are not interchangeable. Downstream work must retain one basis consistently and label it; the offering-basis figures are used for regional mix, while the condensed-statement series is the comparable annual accounting series. Power management, thermal management, IT systems, and infrastructure solutions are discussed as portfolio categories, but their exact sales, profit, units, ASPs, utilization, and companywide nameplate capacity are not disclosed in the statutory statements. Those fields remain non-disclosed rather than estimated. Source: [Vertiv Q2 FY2026 earnings exhibit, July 29, 2026](https://www.sec.gov/Archives/edgar/data/1674101/000162828026050323/q22026exhibit991vrt07292026.htm).

3a. Sealed statutory segment-to-consolidated bridge

This subsection reproduces the sealed, validator-cleared bridge. The common segment metric is issuer-disclosed **Operating profit (loss)**. It includes all three modeled segments and preserves the issuer's classification of corporate, operating, interest, other non-operating, and tax lines. Reporting currency is USD; scale is millions. Source IDs are `SEC_2025_10K` for FY2025 and `OFFICIAL_TTM_DERIVATION` for TTM.

Period	Order	Bridge line	Amount	Classification	Running subtotal
FY2025	1	Americas operating profit (loss)	1,714.3	modeled_segment	1,714.3
FY2025	2	Asia Pacific operating profit (loss)	222.1	modeled_segment	1,936.4
FY2025	3	Europe, Middle East & Africa operating profit (loss)	377.4	modeled_segment	2,313.8
FY2025	4	Sum of modeled segments	2,313.8	subtotal	2,313.8
FY2025	5	Foreign currency gain (loss)	(12.0)	corporate_unallocated	2,301.8
FY2025	6	Corporate and other	(271.7)	corporate_unallocated	2,030.1
FY2025	7	Consolidated segment metric	2,030.1	subtotal	2,030.1
FY2025	8	Amortization of intangibles	(200.4)	operating	1,829.7
FY2025	9	Statutory operating income	1,829.7	subtotal	1,829.7
FY2025	10	Interest expense, net	(86.1)	interest	1,743.6
FY2025	11	Loss on extinguishment of debt	(1.7)	other_non_operating	1,741.9
FY2025	12	Statutory pre-tax income	1,741.9	subtotal	1,741.9
FY2025	13	Income tax expense	(409.1)	tax	1,332.8
FY2025	14	Statutory net income	1,332.8	subtotal	1,332.8
TTM	1	Americas operating profit (loss)	2,131.6	modeled_segment	2,131.6
TTM	2	Asia Pacific operating profit (loss)	280.2	modeled_segment	2,411.8
TTM	3	Europe, Middle East & Africa operating profit (loss)	372.2	modeled_segment	2,784.0
TTM	4	Sum of modeled segments	2,784.0	subtotal	2,784.0
TTM	5	Foreign currency gain (loss)	(9.4)	corporate_unallocated	2,774.6
TTM	6	Corporate and other	(341.2)	corporate_unallocated	2,433.4
TTM	7	Consolidated segment metric	2,433.4	subtotal	2,433.4
TTM	8	Amortization of intangibles	(258.8)	operating	2,174.6
TTM	9	Statutory operating income	2,174.6	subtotal	2,174.6
TTM	10	Interest expense, net	(52.5)	interest	2,122.1
TTM	11	Loss on extinguishment of debt	(7.9)	other_non_operating	2,114.2
TTM	12	Other non-operating expense (income)	(0.5)	other_non_operating	2,113.7
TTM	13	Statutory pre-tax income	2,113.7	subtotal	2,113.7
TTM	14	Income tax expense	(381.7)	tax	1,732.0
TTM	15	Statutory net income	1,732.0	subtotal	1,732.0

Bridge integrity check, USD millions	FY2025	TTM
Sum of modeled segments	2,313.8	2,784.0
Consolidated segment metric	2,030.1	2,433.4
Statutory operating income	1,829.7	2,174.6
Statutory pre-tax income	1,741.9	2,113.7
Statutory net income	1,332.8	1,732.0
Segment-to-consolidated residual	0.0	0.0
Operating residual	0.0	0.0
Pre-tax residual	0.0	0.0
Net-income residual	0.0	0.0
Validator tolerance	0.1	0.1

The sealed bridge must not be altered, reclassified, or rebuilt by downstream agents. In particular, amortization remains an operating item; interest remains below operating income; loss on extinguishment and other non-operating expense remain other non-operating; and income tax expense remains tax. The controlling artifact is

[`statutory_bridge.json`](</C:/Users/Admin/OneDrive/GPT/ER 2.0/Vertiv Holdings Co/statutory_bridge.json>), SHA-256 `c740adfd22f373f6a849bc4ada925c32cdcf7bcb3ab4fbd21a8fdf95838ef433`.

STATUTORY_BRIDGE_STATUS: VERIFIED — CLEARED FOR FORECASTING

4. Operating KPIs, demand visibility, and hardware checklist

Vertiv's order and backlog disclosures show an exceptional acceleration through Q4 FY2025, but quarterly numeric disclosure is not yet available for Q1 or Q2 FY2026. The figures below are companywide and are not a substitute for recognized revenue.

The annual filings support the full five-year backlog series required by the hardware disclosure inventory:

Backlog, USD millions	FY2021	FY2022	FY2023	FY2024	FY2025	Q2 FY2026
Companywide backlog	3,191.0	4,754.4	5,526.7	approximately 7,200	approximately 15,000	Not numerically disclosed
Americas	Not separately disclosed	3,337.3	3,365.2	Not separately disclosed	Not separately disclosed	Not separately disclosed
Asia Pacific	Not separately disclosed	480.0	616.4	Not separately disclosed	Not separately disclosed	Not separately disclosed
Europe, Middle East & Africa	Not separately disclosed	937.1	1,545.1	Not separately disclosed	Not separately disclosed	Not separately disclosed

Sources: [FY2022 Form 10-K](https://www.sec.gov/Archives/edgar/data/1674101/000162828023005248/vrt-20221231.htm), [FY2023 Form 10-K](https://www.sec.gov/Archives/edgar/data/1674101/000162828024006498/vrt-20231231.htm), and [FY2025 Form 10-K](https://www.sec.gov/Archives/edgar/data/1674101/000167410126000008/vrt-20251231.htm). Vertiv disclosed the regional backlog split for FY2022-FY2023 but not for FY2024-FY2025; the absence of later regional values is a reporting change, not a missing extraction.

Reported period	Organic orders	Backlog	Approx. book-to-bill	Evidence status
Q2 FY2025	+15% YoY; +11% sequential; TTM +11%	$8.5bn	1.2x	Issuer earnings materials
Q3 FY2025	+60% YoY; +20% sequential; TTM +21%	$9.5bn	1.4x	Issuer earnings materials and transcript
Q4 FY2025	+252% YoY; +117% sequential; TTM +81%	$15.0bn	2.9x	Issuer earnings materials and transcript
Q1 FY2026	Not numerically disclosed	Not numerically disclosed	Not numerically disclosed	True non-disclosure after primary-source search
Q2 FY2026	Not numerically disclosed	Not numerically disclosed	Not numerically disclosed	True non-disclosure; FMP transcript unavailable after retry

Management said on the Q3 FY2025 call that it planned to move to full-year order projections with quarterly updates beginning in 2026. Nevertheless, the Q1 and Q2 FY2026 furnished materials available in this run do not provide the numeric quarterly order, backlog, or book-to-bill values shown in prior quarters. Downstream agents must not roll the Q4 backlog forward with assumed bookings or cancellations. The Q4 backlog is useful evidence of visibility, but its conversion timing and embedded margin are not disclosed.

Hardware and capacity indicator	Latest evidence	Modeling treatment
Product / service offering sales	Q2 FY2026 $2,606.4m / $667.9m, +23.0% / +28.6% YoY	Supplemental regional offering basis; keep separate from condensed-statement classification
Condensed-statement product / service sales	Q2 FY2026 $2,646.7m / $627.6m	Official accounting-statement basis reproduced by FMP; use for the comparable annual series
Inventory	Q2 FY2026 $2,522.7m versus FY2025 $1,456.5m	Monitor cash conversion, lead-time positioning, and obsolescence risk
Company footprint	Approximately 300 locations in more than 40 countries at FY2025	Context, not a capacity denominator
Factory footprint	Investor conference cited 32 factories as of 2026-04-30	Context; no companywide nameplate output disclosed
Field service engineers	Approximately 5,300 in the May 2026 investor materials	Scale indicator; productivity not disclosed
FY2026 capex	Approximately 4.0% of sales	Use in near-term cash-flow modeling; do not extrapolate mechanically to perpetuity

Hardware and capacity indicator	Latest evidence	Modeling treatment
Unit shipments	Not disclosed	No inference permitted
Average selling price	Not disclosed	No inference permitted
Utilization	Not disclosed	No inference permitted
Companywide nameplate capacity	Not disclosed	No inference permitted
Product-line gross margin	Not disclosed	No inference permitted

The inventory increase is operationally important. Inventory rose 17.0% in FY2025 and then reached $2,522.7 million at Q2 FY2026, substantially above year-end. This can be consistent with supporting a much larger backlog, positioning components ahead of demand, and integrating acquired operations, but it also increases working-capital and obsolescence exposure. Vertiv's risk disclosures expressly acknowledge inventory obsolescence risk. A rigorous forecast should connect inventory days, supplier lead times, backlog conversion, and cash flow rather than assuming the balance is automatically productive.

Capacity actions support the demand thesis but do not quantify supply in standardized units. PurgeRite closed on 2025-12-04 for $1,138.3 million net of acquired cash plus up to $250 million of contingent consideration, adding fluid-management and liquid-cooling capability. Great Lakes Data Racks & Cabinets closed on 2025-08-20 for approximately $203.5 million. Vertiv acquired BMarko Structures on 2026-04-13, Strategic Thermal Labs on 2026-04-27, and completed ThermoKey on 2026-06-12; consideration for these three transactions was not disclosed in the reviewed sources. These additions expand structural fabrication, chip/server liquid-cooling test capability, and heat-rejection technology.

Organic capacity announcements include four Americas facilities discussed in March 2026, an approximately $50 million Ohio investment whose Ironton site is expected to become operational in Q2 2027, a Malaysia facility opened on 2026-07-01, and a Tognana, Italy plan announced 2026-07-21 to double regional chiller production by year-end 2026 with a laboratory targeted for early 2027. These are credible evidence of investment ahead of expected demand. They are not a disclosed capacity bridge, because Vertiv does not supply comparable before/after output, utilization, or unit economics.

The May 2026 investor conference described the technical direction of the portfolio. Management expects rack density to progress from roughly 140 kW toward 300 kW to more than 1 MW in advanced applications. PowerDirect 5000 is designed for up to 900 kW and was shown with commercial launch expected in early 2027. New coolant distribution unit platforms scale beyond 2 MW. These claims support a system-level power-and-cooling opportunity, but they are roadmap and product-capability disclosures, not booked revenue.

Customer and end-market disclosures remain broad. Vertiv serves data centers—including hyperscale/cloud, colocation, neocloud, and enterprise—communication networks, and commercial and industrial customers. The FY2025 filing says large hyperscale, cloud, neocloud, and colocation customers represent a material portion of business and may exert favorable commercial terms, but it does not identify customer names or quantify concentration. Searches for a 10% customer, largest-customer percentage, and customer-concentration table did not locate a numeric disclosure. No customer-specific revenue should be invented.

5. Latest quarter, balance sheet, and guidance

Q2 FY2026 was a strong statutory quarter. Sales were $3,274.3 million, up 24.1% year over year, comprising approximately 18% organic growth, 5% acquisition contribution, and 1% foreign-exchange contribution. Reported operating income was $637.9 million, a 19.5% margin. Adjusted operating profit was $738.4 million, a 22.6% margin. The $100.5 million gap consisted of $73.7 million of intangible amortization, $28.8 million of contingent-consideration expense, $1.9 million of M&A expense, partly offset by a $3.9 million restructuring benefit. The statutory result remains the controlling base for valuation. Live-source proof: [Vertiv Q2 FY2026 earnings exhibit dated July 29, 2026](https://www.sec.gov/Archives/edgar/data/1674101/000162828026050323/q22026exhibit991vrt07292026.htm).

Q2 FY2026 operating snapshot	Amount / growth
Net sales	$3,274.3m
YoY net sales growth	24.1%
Organic contribution	approximately 18%
Acquisition contribution	approximately 5%
Foreign-exchange contribution	approximately 1%
Reported operating income	$637.9m

Q2 FY2026 operating snapshot	Amount / growth
Reported operating margin	19.5%
Adjusted operating profit	$738.4m
Adjusted operating margin	22.6%
Product sales, offering basis	$2,606.4m
Services and spares sales, offering basis	$667.9m
Product sales, condensed-statement basis	$2,646.7m
Service sales, condensed-statement basis	$627.6m
Inventory	$2,522.7m

At FY2025, cash was $1,728.4 million, short-term investments were $99.5 million, total debt was approximately $3,403.4 million, and net debt excluding short-term investments was approximately $1,675.0 million. Goodwill was $2,033.7 million and intangible assets were $1,894.8 million, totaling $3,928.5 million against equity of $3,941.3 million; tangible book value was therefore only about $12.8 million. FY2025 net debt to EBITDA was approximately 0.78x. By Q2 FY2026, cash had risen to $2,810.6 million, short-term investments were $300.0 million, debt was approximately $2,939.8 million, and the company had approximately $170.8 million of net cash after including short-term investments (or $129.2 million of net debt on cash alone). Lease liabilities were approximately $316.4 million and stated liquidity was approximately $5.6 billion. The balance sheet has become less leveraged, while acquisition-related goodwill and intangibles remain material.

The latest Q2 FY2026 guidance supersedes the initial FY2026 outlook discussed on the Q4 FY2025 call.

Issuer guidance	Low	High	Midpoint / note
Q3 FY2026 net sales	$3.65bn	$3.85bn	$3.75bn
Q3 organic sales growth	34%	36%	35%
Q3 adjusted operating profit	$898m	$938m	$918m
Q3 adjusted operating margin	24.0%	25.0%	24.5%
Q3 adjusted diluted EPS	$1.77	$1.83	$1.80
FY2026 net sales	$13.8bn	$14.2bn	$14.0bn
FY2026 organic sales growth	30%	32%	31%
FY2026 adjusted operating profit	$3.285bn	$3.365bn	$3.325bn
FY2026 adjusted operating margin	23.3%	24.3%	23.8%
FY2026 adjusted diluted EPS	$6.65	$6.75	$6.70
FY2026 adjusted FCF	$2.4bn	$2.6bn	$2.5bn

Because this guidance is adjusted, a statutory forecast must explicitly model amortization, contingent consideration, restructuring, M&A costs, interest, and tax. It must not apply the adjusted operating margin directly to GAAP revenue and label the output statutory operating income. Similarly, the guided adjusted EPS midpoint of $6.70 cannot be compared one-for-one with TTM statutory diluted EPS of $4.4199 without reconciling adjustments and the share denominator.

6. Source-bound statutory forecast-driver schedule

The following schedule provides bounded, auditable treatments for lines between segment operating profit and net income. It does not prescribe segment revenue or margin forecasts; those remain the responsibility of the modeling agent. Each line preserves the sealed classification in Section 3a.

Bridge line	FY2025 anchor	TTM anchor	Bear treatment	Base treatment	Bull treatment	Required classification
Foreign currency gain (loss)	(0.117)% of sales	(0.082)% of sales	FY2025 ratio	Mean ratio, approximately (0.100)%	TTM ratio	corporate_unallocated
Corporate and other	(2.656)% of sales	(2.972)% of sales	TTM ratio	Mean ratio, approximately (2.814)%	FY2025 ratio	corporate_unallocated
Amortization of intangibles	$(200.4)m	$(258.8)m	Filed schedule plus acquisition-related incremental amortization	Filed schedule, updated for completed acquisitions	Filed schedule; no arbitrary zero	operating
Interest expense, net	$(86.1)m	$(52.5)m	FY2025 amount or explicit debt schedule	Approximately $69.3m anchor, then debt schedule	TTM amount or explicit debt schedule	interest

Bridge line	FY2025 anchor	TTM anchor	Bear treatment	Base treatment	Bull treatment	Required classification
Loss on extinguishment of debt	$(1.7)m	$(7.9)m	TTM amount	FY2025 amount	Zero only when no refinancing or retirement event is assumed	other_non_operating
Other non-operating expense (income)	—	$(0.5)m, (0.004)% of sales	TTM ratio	Half TTM ratio	Zero if documented as immaterial/non-recurring	other_non_operating
Income tax expense	23.49% effective rate	18.06% effective rate	FY2025 rate	Mean rate, approximately 20.78%	TTM rate	tax

The FY2025 Form 10-K's then-existing intangible-amortization schedule was approximately $277.9 million for 2026, $218.5 million for 2027, $206.1 million for 2028, $154.7 million for 2029, and $127.3 million for 2030. Those amounts predate or may not fully reflect later acquisition accounting, and the schedule does not provide a 2031 amount. The downstream forecast must refresh the schedule when new purchase-price allocations become available and must source or derive 2031 explicitly. It may not carry 2030 forward without labeling the assumption.

Corporate and other is large enough to affect valuation materially. Using a flat dollar amount would create implausible operating leverage; using a percentage of sales is the most source-bound first approximation, bracketed by FY2025 and TTM. Foreign exchange should also remain visible because the sealed bridge treats it as corporate/unallocated. A zero FX line is not the default bull case: the evidence supports a less negative ratio, not a structural cessation of currency effects.

The tax-rate range deliberately spans the most recent full year and TTM. A permanent 18.06% rate requires evidence on jurisdictional mix and discrete items. Interest should follow actual debt, cash, and refinancing assumptions rather than a margin. Extinguishment losses are transaction-driven and may be zero only in scenarios without debt retirement or refinancing. These treatments ensure that segment scenarios reconcile to statutory EPS instead of stopping at an adjusted operating-profit subtotal.

7. Management evidence grouped for segment work

The quote packet is sealed at [`quote_packet.json`](</C:/Users/Admin/OneDrive/GPT/ER 2.0/Vertiv Holdings Co/quote_packet.json>). The quotes below are either in available FMP transcripts tied to their transcript-date metadata or in current official investor materials. Q2 transcript text is not available from FMP; Q2 language is therefore limited to the official earnings exhibit.

Segment / topic	Date and speaker	Exact or controlling management evidence	Analytical use
Consolidated demand	2025-10-22, Q3 FY2025 call	“Our trailing twelve-month organic orders growth of about 21% demonstrates strong momentum with Q3 orders up 60% year over year and 20% sequentially.”	Confirms broad order acceleration before the Q4 step-up
Consolidated visibility	2026-02-11, Q4 FY2025 call	“Even after the large Q4 order intake, our pipeline continues to grow.”	Qualitative support for visibility; does not quantify conversion
Consolidated capacity	2025-10-22, Q3 FY2025 call	“To anticipate and stay ahead of our customers' evolving needs and timelines we expect to accelerate our investments in supply chain and services capabilities and capacity.”	Supports higher near-term capex and working capital
Consolidated capacity	2026-04-22, Q1 FY2026 call	“But you could see from our CapEx profile, and what we mentioned about Q1, we're very, very focused on adding capacity and a lot of that capacity start to hit us in the second half.”	Suggests capacity additions become more relevant in 2H26
Americas / global AI demand	2026-07-29, Q2 FY2026 release, Giordano Albertazzi	“This quarter reflects the compounding effect of years of deliberate investment in technology, capacity, and customer partnerships.”	Consistent with reported Americas-led growth; not segment-specific guidance
Americas / global AI demand	2026-07-29, Q2 FY2026 release, Giordano Albertazzi	“Demand for AI and general compute continues to intensify” and pipelines continue to strengthen.	Supports secular demand framing; exact pipeline size is not disclosed
Asia Pacific / global execution	2026-07-29, Q2 FY2026 release, Dave Cote	“We are moving at the speed of technology” in a demand environment that continues to grow, while investing ahead of it.	Supports execution urgency; not numeric APAC guidance

Segment / topic	Date and speaker	Exact or controlling management evidence	Analytical use
EMEA	2025-10-22, Q3 FY2025 call	“Though EMEA remains softer, and we expect it to rebound in 2026.”	Direct regional evidence; monitor against Q2 FY2026's 1.7% growth
Thermal management	2026-04-22, Q1 FY2026 call	“Heat rejection is becoming more complex for AI data centers and a portfolio comprising chillers, dry coolers, trim coolers, offers great flexibility and efficiency opportunities for our customers.”	Supports ThermoKey and liquid-cooling strategic logic
System portfolio	2026-05 investor conference	Vertiv delivers end-to-end infrastructure engineered as a unified system across power, cooling, IT, controls, and services.	Supports system-level differentiation; revenue by category is not disclosed

The available evidence is strongest at the consolidated level. Apart from the explicit EMEA softness/rebound comment, management does not provide numeric forward revenue, margin, orders, or backlog guidance by geographic segment in the reviewed Q2 materials. Americas and APAC forecasts must therefore be anchored in reported quarterly sales and operating profit, not a falsely precise management target. The Q4 call's initial FY2026 adjusted EPS outlook of $6.02 and organic growth outlook of 28% have been superseded by Q2 guidance of $6.65–$6.75 and 30%–32%; only the latest guidance should control a near-term case.

8. Disclosure map, modeling risks, and diligence priorities

Item	Disclosure status	Consequence for downstream analysis
Geographic sales and operating profit	Disclosed quarterly and annually	Model Americas, APAC, and EMEA explicitly
Segment profit before FY2023 on current basis	Not provided	Do not splice legacy profit taxonomy into current trend
Product vs services revenue	Disclosed	Useful mix split; reconcile to issuer totals
Power, thermal, IT, and infrastructure-solutions revenue	Not disclosed in exact dollars	Do not construct product TAM share from company revenue
Product-line profitability	Not disclosed	No product gross-margin claims
Units and ASP	Not disclosed	Growth decomposition into price and volume is unavailable
Utilization and standardized nameplate capacity	Not disclosed	Capacity announcements remain qualitative
Quarterly orders/backlog/book-to-bill after Q4 FY2025	Not numerically disclosed in reviewed Q1/Q2 materials	No backlog roll-forward or implied cancellation rate
Current backlog by segment or product	Not disclosed after FY2023; FY2022-FY2023 geographic backlog is in Section 4	No current segment backlog coverage calculation
Customer concentration percentage or customer names	Not disclosed	Treat concentration as a qualitative risk only
Acquisition consideration for BMarko, STL, and ThermoKey	Not disclosed	Do not infer invested capital or acquisition multiples
Q2 FY2026 transcript through FMP	Unavailable after identical retry	Official SEC exhibit controls; no paraphrased call evidence
2031 amortization	Not in FY2025 filed schedule	Must be sourced or explicitly derived

The central analytical risk is extrapolating an unusually strong order and capacity cycle as if it were a permanent steady state. Q4 FY2025's roughly 2.9x book-to-bill and $15.0 billion backlog are powerful demand indicators, but they may also reflect long-duration projects, customer reservation behavior, duplicate planning, supply constraints, or timing concentration. The absence of updated Q1 and Q2 backlog figures prevents an evidence-based conversion curve. Revenue models should therefore use explicit downside assumptions for schedule changes and normalizing order intake.

The second risk is confusing adjusted expansion with statutory margin. TTM segment operating profit of $2,784.0 million reconciles to only $2,174.6 million of statutory operating income after foreign currency, corporate and other, and intangible amortization. These are not small rounding items. The sealed bridge keeps each visible and provides the correct base for EPS. Any valuation model that applies adjusted margin and then deducts only interest and tax would overstate statutory earnings.

The third risk is geographic concentration. Americas contributed 62.4% of FY2025 sales and 74.1% of the three modeled segments' operating profit. Its TTM segment margin was 28.5%, compared with 12.5% in APAC and 21.3% in EMEA. The current earnings profile is therefore sensitive to Americas AI-infrastructure demand, competitive intensity, delivery execution, and customer bargaining power. APAC growth improved sharply in Q2, while EMEA still grew only 1.7%; a global AI thesis does not erase regional dispersion.

The fourth risk is execution across inventory, capex, and acquisitions. Q2 inventory of $2,522.7 million was much higher than FY2025's $1,456.5 million. At the same time, Vertiv is expanding factories, opening labs, integrating PurgeRite and Great Lakes, and adding BMarko, Strategic Thermal Labs, and ThermoKey. That can widen technical capability and accelerate delivery, but it can also introduce quality, integration, working-capital, and return-on-capital risk. The normalized ROIC history improved dramatically to roughly 19% in FY2024–FY2025; the forecast should test whether new investment can sustain that level.

The fifth risk is acquisition accounting. Goodwill and intangibles nearly equaled FY2025 equity, while acquisition-related amortization is a major statutory expense. Adjusted presentations exclude this amortization, but shareholders still own the capital allocated to acquired assets. Downstream return and valuation work should keep both the cash economics and the statutory accounting visible, rather than treating all acquisition adjustments as irrelevant.

Priority diligence questions are therefore: What portion of the $15.0 billion Q4 backlog is scheduled beyond FY2026? How much is cancellable or subject to customer rescheduling? What standardized capacity will the announced facilities add, by technology and region? How much of FY2026 growth is price, volume, acquisition, and FX? How will inventory days normalize after the capacity build? What are the current-basis segment allocations behind the FY2023 recast? What acquisition-related amortization should be added to the filed schedule? And what customer-concentration or project-concentration thresholds does management use internally even though they are not disclosed publicly?

9. Handoff conclusions

The production base has three modeled segments: **Americas; Asia Pacific; Europe, Middle East & Africa**. It has two disclosed revenue classes: **Products; Services and spares**. The statutory bridge is fully reconciled at FY2025 and TTM with zero residuals and 0.1 million tolerance. The current TTM share denominator and EPS are 391,864,964 and 4.4199. All forecast work should start from the sealed bridge, preserve its classifications, use the Q2 FY2026 guidance as the current near-term management case, and distinguish issuer-adjusted measures from statutory results.

The highest-quality evidence supports strong demand, material backlog visibility through Q4 FY2025, expanding system-level power and cooling capability, and a balance sheet that has delevered substantially. The main evidence gaps are equally clear: updated quarterly backlog, geographic orders, customer concentration, unit/ASP data, utilization, standardized capacity, product-line profit, acquisition consideration for three 2026 transactions, and Q2 call transcript text. Those gaps should become sensitivities or diligence questions—not undocumented estimates.