Siemens AG (SIEGY)

Updated December 6th, 2022 by Jonathan Weber

Key Metrics

Current Price:	$71	**5 Year CAGR Estimate:**	7.3%	**Market Cap:**	$112B
Fair Value Price:	$66	**5 Year Growth Estimate:**	6.0%	**Ex-Dividend Date:**	02/10/23[1]
% Fair Value:	108%	**5 Year Valuation Multiple Estimate:**	-1.6%	**Dividend Payment Date:**	02/22/23[2]
Dividend Yield:	3.2%	**5 Year Price Target**	$88	**Years Of Dividend Growth:**	1
Dividend Risk Score:	C	**Retirement Suitability Score:**	B	**Rating:**	Hold

Overview & Current Events

Siemens AG is a German industrial conglomerate that operates in the following business units: Energy, Healthcare, Industry, and Infrastructure & Cities. Siemens was founded in 1847 and today employs about 308,000 people worldwide. Siemens is headquartered in Munich, Germany. American investors can purchase Siemens stock through American Depository Receipts that trade over-the-counter under the ticker SIEGY. Siemens reports its results in €, but all numbers in this report are in U.S. Dollars unless noted otherwise.

Siemens AG reported its fourth quarter (fiscal 2022) earnings results on November 17. The company generated revenues of €20.6 billion, which is equal to a little more than $21 billion, and was 18% more than the previous year's quarter on an adjusted basis. Siemens' orders did grow by 14% during the most recent quarter on a comparable, currency-adjusted basis, to €22 billion, which was an attractive order intake pace. The fact that Siemens was able to generate higher orders than revenues and to maintain a book-to-bill ratio well north of 1.0 bodes well for future revenue growth.

Siemens' earnings-per-ADR totaled €1.80 during the fourth quarter, which is equal to around $1.90, which was up year over year despite the Russia-Ukraine war. Despite this macro headwind, some earnings-per-share growth was expected for fiscal 2022, but when the one-time asset writedowns in Q1 are accounted for, earnings-per-share had to decline, which was signaled by Siemens' management in the past. Earnings-per-ADR came in at $2.88, which was very close to the midpoint of the guidance range. The US Dollar has strengthened significantly against the Euro over the last year, further putting pressure on Siemens' profits once denominated in USD. Siemens is expected to see its earnings-per-ADR grow meaningfully in its current fiscal year, 2023, on the back of fewer asset writedowns.

Growth on a Per-Share Basis

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
EPS	$3.26	$3.91	$3.53	$3.60	$4.27	$4.53	$3.81	$3.00	$4.78	$2.88	***$4.10***	***$5.49***
DPS	$2.01	$2.05	$1.88	$1.91	$2.17	$2.30	$2.17	$2.15	$2.11	$2.26	***$2.26***	***$2.88***
Shares[3]	1690	1690	1620	1620	1620	1620	1610	1610	1600	1580	***1570***	***1550***

Between 2009 and 2019, Siemens recorded an earnings-per-share growth rate of 9% annually. During 2009 Siemens' earnings were artificially low due to the impact of the last financial crisis, which allowed for above-average growth during the years of the following recovery. The above table is in USD, which has strengthened over the years, which hurts the comparison for companies that report their results in €.

During 2019 Siemens' profits declined, but this was due to the Osram spin-off. Adjusted for that, Siemens' earnings rose by 15%. Siemens' strong order backlog and the fact that Siemens is holding a solid position in growth markets such as manufacturing 4.0, will allow Siemens to grow its profits over the coming years. Siemens does, as one of just a few German companies, regularly engage in buybacks. Due to its strong order backlog and leading market position Siemens has weathered the pandemic relatively well, despite some temporary factory shutdowns.

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[1] Estimated date

[2] Estimated date

[3] In Millions

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.

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Valuation Analysis

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Now	2028
Avg. P/E	16.4	16.6	15.2	14.3	15.3	14.3	13.6	23.3	18.4	17.0	***17.3***	***16.0***
Avg. Yld.	3.8%	3.2%	3.5%	3.7%	3.3%	3.6%	4.2%	3.1%	2.6%	4.6%	***3.2%***	***3.3%***

Siemens' shares have been valued at a mid-teens price-to-earnings multiple throughout the majority of the last decade. Industrial businesses can be cyclical, and their stock prices and valuations tend to be cyclical as well, but surprisingly there are no large outliers in Siemens' valuation throughout the last decade, except for pandemic-impacted 2020. Shares are trading above our fair value estimate right now, based on estimates for the current year.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
Payout	61.7%	52.4%	53.3%	53.1%	50.8%	50.8%	57.0%	71.6%	47.4%	78.5%	***55.1%***	***52.6%***

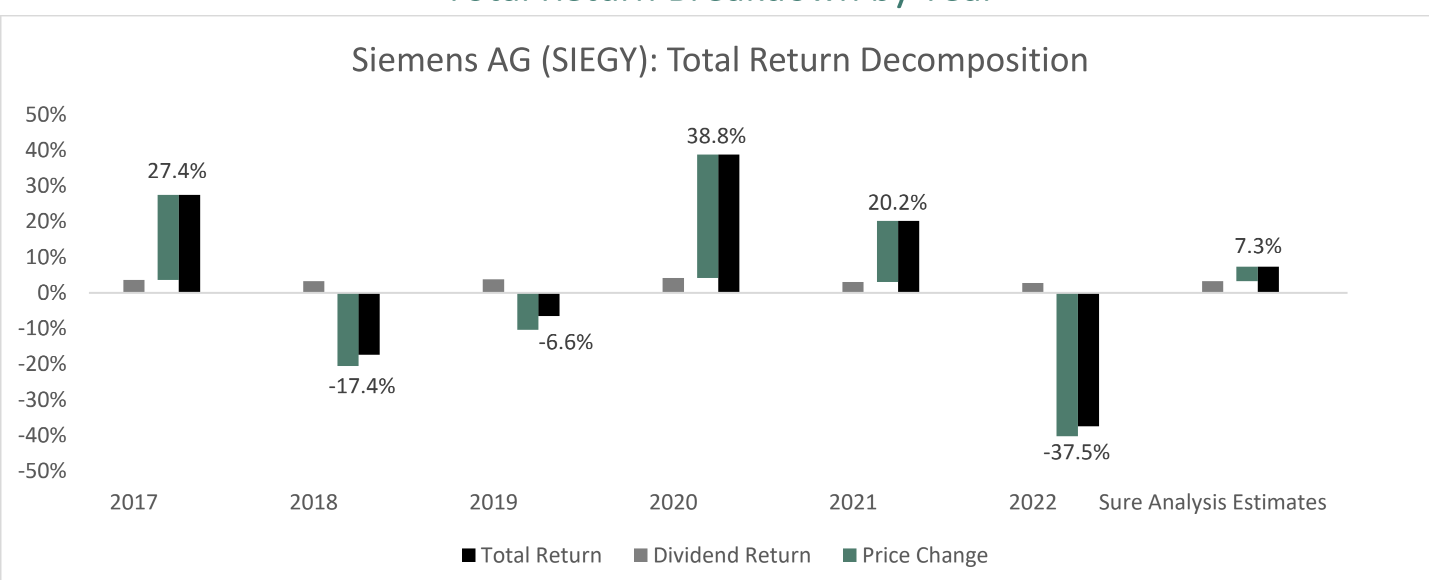
Siemens' dividend payout ratio has been around 50% throughout the majority of the last decade, but during the financial crisis there were large swings in the company's payout ratio. The company was not forced to cut its payout during the last financial crisis. We believe that Siemens' dividend remains relatively safe going forward.

One of Siemens' most important competitive advantages is its robust industrial backlog. The company typically books more business than it is capable of completing at any given time, which causes it to operate with a book-to-bill ratio (new contracts divided by total revenue) above 1.0. This has resulted in a large backlog of uncompleted business over time. This helps in times when order intake slows down, which is expected for the remainder of the current year, due to the impact that the coronavirus has on the globe's economy, although lockdown-induced production stops still hurt.

Final Thoughts & Recommendation

Siemens is a large and diversified industrial company that has managed to generate solid business growth in the past. The company is, due to its large backlog and solid order intake, relatively resilient versus recessions. 2022 was weaker year for Siemens due to asset write-downs and currency movements, but fiscal 2023 will be better again. With shares trading above fair value, we rate Siemens a hold at current prices.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Revenue	100,475	96,348	96,666	86,852	88,461	91,472	98,854	65,984	61,915	74,413
Gross Profit	28,463	26,415	27,629	25,087	26,455	27,645	29,596	24,409	22,286	27,174
Gross Margin	28.3%	27.4%	28.6%	28.9%	29.9%	30.2%	29.9%	37.0%	36.0%	36.5%
SG&A Exp.	14,336	14,258	13,829	13,101	12,961	13,644	15,405	12,059	11,970	13,372
D&A Exp.	3,658	3,678	3,240	2,927	3,070	3,545	4,070	2,572	3,471	3,675
Operating Profit	8,554	6,570	8,292	6,672	7,930	7,973	7,038	6,887	4,915	7,675
Op. Margin	8.5%	6.8%	8.6%	7.7%	9.0%	8.7%	7.1%	10.4%	7.9%	10.3%
Net Profit	5,389	5,620	7,292	8,362	6,053	6,580	6,913	5,838	4,516	7,363
Net Margin	5.4%	5.8%	7.5%	9.6%	6.8%	7.2%	7.0%	8.8%	7.3%	9.9%
Free Cash Flow	6,381	7,257	7,175	5,414	6,082	5,266	6,932	7,532	8,252	9,879
Income Tax	2,589	2,144	2,733	2,146	2,230	2,371	2,445	2,003	1,508	2,224

Balance Sheet Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Total Assets ($B)	139.77	137.55	133.08	135.42	143.52	160.35	161.42	164.39	145.46	161.93
Cash & Equivalents	14,062	12,401	10,168	11,204	11,896	9,866	12,859	13,557	16,485	11,071
Acc. Receivable	17,185	17,450	15,908	15,650	18,518	17,477	19,268	18,521	14,172	15,388
Inventories	21,657	22,795	20,894	21,667	14,153	15,428	15,247	15,193	8,446	9,534
Goodwill & Int.	27,972	30,957	28,351	35,155	35,789	45,750	44,709	43,720	29,689	47,199
Total Liab. ($B)	99.20	98.93	93.09	95.97	104.25	107.78	105.59	108.61	98.71	104.78
Accounts Payable	10,376	10,254	9,636	8,747	9,033	11,493	12,452	12,483	9,243	10,244
Long-Term Debt	26,527	27,424	26,379	33,210	34,741	37,827	37,263	39,762	49,002	53,090
Total Equity	39,839	37,933	39,278	38,790	38,586	50,871	52,841	52,654	42,724	51,468
LTD/E Ratio	0.67	0.72	0.67	0.86	0.90	0.74	0.71	0.76	1.15	1.03

Profitability & Per Share Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Return on Assets	3.8%	4.1%	5.4%	6.2%	4.3%	4.3%	4.3%	3.6%	2.9%	4.8%
Return on Equity	13.0%	14.5%	18.9%	21.4%	15.6%	14.7%	13.3%	11.1%	9.5%	15.6%
ROIC	8.0%	8.4%	11.0%	12.0%	8.3%	8.0%	7.5%	6.2%	4.7%	7.1%
Shares Out.	1710	1690	1690	1620	1620	1620	1620	1610	1610	1600
Revenue/Share	56.81	56.53	56.73	52.14	53.95	55.16	59.67	40.32	37.88	45.85
FCF/Share	3.61	4.26	4.21	3.25	3.71	3.18	4.18	4.60	5.05	6.09

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.