Siemens AG (SIEGY)

Updated November 26th, 2024 by Jonathan Weber

Key Metrics

Current Price:	$95	**5 Year CAGR Estimate:**	7.6%	**Market Cap:**	$148B
Fair Value Price:	$91	**5 Year Growth Estimate:**	6.0%	**Ex-Dividend Date:**	02/03/25[1]
% Fair Value:	104%	**5 Year Valuation Multiple Estimate:**	-0.8%	**Dividend Payment Date:**	02/12/25[2]
Dividend Yield:	2.7%	**5 Year Price Target**	$122	**Years Of Dividend Growth:**	3
Dividend Risk Score:	B	**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 2024) earnings results on November 14. The company generated revenues of €20.8 billion, which is equal to around $22 billion, and which was 1% more than the revenues during the previous year's quarter on an adjusted basis. Siemens' orders did come in ahead of revenues, at €22.9 billion, which was a solid order intake pace. The fact that Siemens was able to generate higher orders than revenues and to maintain a book-to-bill ratio north of 1.0 bodes well for future revenue growth.

Siemens' earnings-per-ADR totaled €1.27 during the fourth quarter, which is equal to around $1.36, which was down slightly compared to the previous quarter, during which margins were higher. While weak economic growth in Europe remains a headwind for Siemens, the company nevertheless generated solid results during its most recent fiscal year, although currency rate changes resulted in flat profits in USD. Siemens expects revenue growth of 3% to 7% for the current year, while the company also forecasts that its earnings-per-share will total around €10.40 to €11.00 this year. This equates to around $5.70 in profit on a per-ADR basis, as one share is equal to two ADRs. While that is down compared to 2024, this can be explained by current rate headwinds.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	$3.53	$3.60	$4.27	$4.53	$3.81	$3.00	$4.78	$2.88	$5.92	$5.91	***$5.70***	***$7.63***
DPS	$1.88	$1.91	$2.17	$2.30	$2.17	$2.15	$2.11	$2.26	$2.29	$2.53	***$2.53***	***$3.23***
Shares[3]	1620	1620	1620	1620	1610	1610	1600	1580	1580	1580	***1570***	***1550***

Between 2015 and 2024, Siemens recorded an earnings-per-share growth rate of 6% annually in US Dollars. In local currencies or the Euro, Siemens' growth was a bit better, but a strengthening US Dollar offset some of the growth Siemens experienced over the last decade. Results can be cyclical, as showcased by the pandemic, when earnings pulled back. The same held true for the Great Recession.

Siemens has spun off some businesses in recent years, such as Osram or its healthcare business, which has hurt its reported profit growth to some degree. Siemens' strong order backlog and the fact that Siemens is holding a strong position in growth markets such as manufacturing 4.0 will allow Siemens to grow its profits considerably over the coming years, we believe. Between some organic business growth and some share repurchases, Siemens should be able to deliver a mid-single-digit earnings-per-share growth rate in the future.

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[1] Estimated date
[2] Estimated date
[3] In Millions

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Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	15.2	14.3	15.3	14.3	13.6	23.3	18.4	17.0	12.0	16.8	***16.7***	***16.0***
Avg. Yld.	3.5%	3.7%	3.3%	3.6%	4.2%	3.1%	2.6%	4.6%	3.2%	2.6%	***2.7%***	***2.6%***

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 trade slightly above our fair value estimate right now, based on estimates for the current year.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	53.3%	53.1%	50.8%	50.8%	57.0%	71.6%	47.4%	78.5%	38.7%	42.8%	***44.4%***	***42.3%***

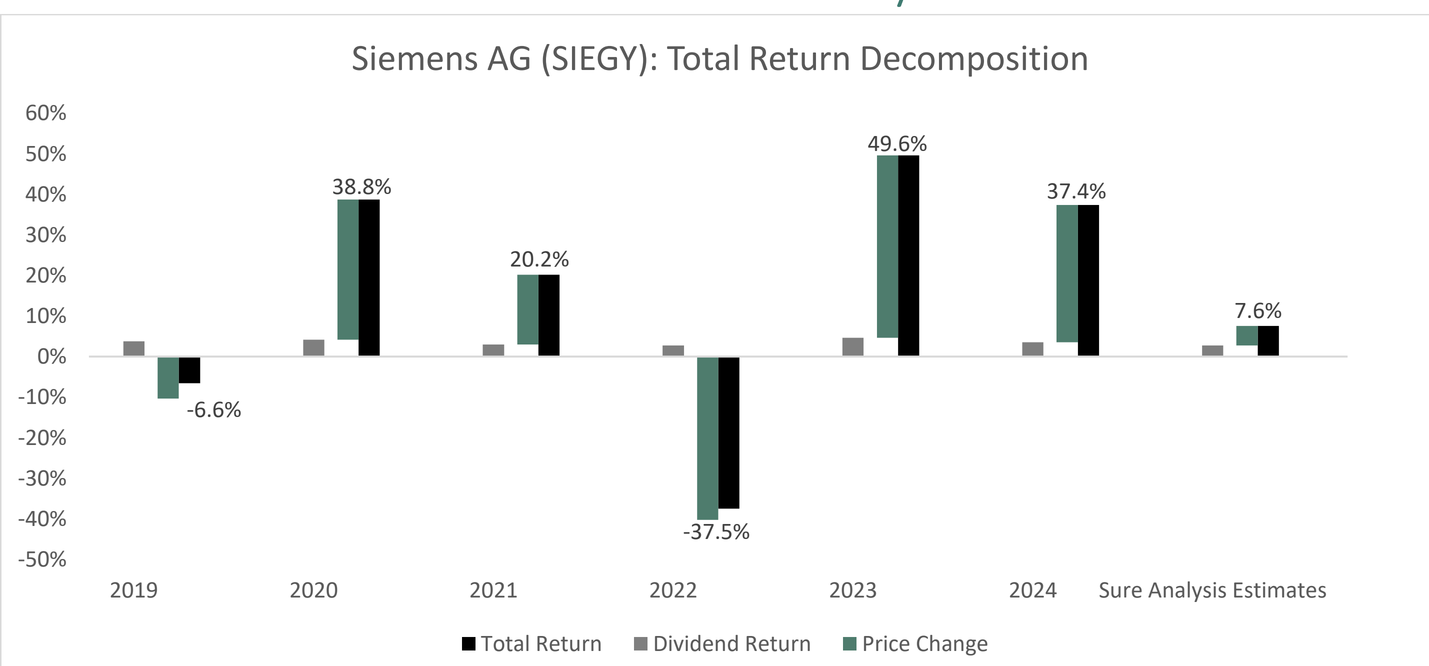
Siemens' dividend payout ratio has been around 50% throughout the majority of the last decade, although there were some ups and downs in the ratio. The company was not forced to cut its payout during the Great Recession but reduced its payout slightly during the pandemic. We believe that Siemens' dividend is reasonably safe going forward.

One of Siemens' most important competitive advantages is its huge 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.

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 in recessions. 2024 was a solid year for the company, but profits will likely pull back this year, at least in USD. With shares trading close to fair value and offering solid total returns, we rate Siemens a hold at current prices.

Total Return Breakdown by Year



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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Income Statement Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue	96,666	86,852	88,461	91,472	98,854	65,984	61,915	74,413	78,091	83,140
Gross Profit	27,629	25,087	26,455	27,645	29,596	24,409	22,286	27,174	28,043	31,701
Gross Margin	28.6%	28.9%	29.9%	30.2%	29.9%	37.0%	36.0%	36.5%	35.9%	38.1%
SG&A Exp.	13,829	13,101	12,961	13,644	15,405	12,059	11,970	13,374	13,949	14,904
D&A Exp.	3,240	2,927	3,070	3,545	4,070	2,572	3,471	3,675	3,863	3,857
Operating Profit	8,292	6,672	7,930	7,973	7,038	6,887	4,915	7,673	7,894	9,881
Op. Margin	8.6%	7.7%	9.0%	8.7%	7.1%	10.4%	7.9%	10.3%	10.1%	11.9%
Net Profit	7,292	8,362	6,053	6,580	6,913	5,838	4,516	7,363	4,039	8,498
Net Margin	7.5%	9.6%	6.8%	7.2%	7.0%	8.8%	7.3%	9.9%	5.2%	10.2%
Free Cash Flow	7,175	5,414	6,082	5,266	6,932	7,532	8,252	9,879	8,850	10,713
Income Tax	2,733	2,146	2,230	2,371	2,445	2,003	1,508	2,224	2,974	2,873

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets ($B)	133	135	144	160	161	164	145	162	149	154
Cash & Equivalents	10,168	11,204	11,896	9,866	12,859	13,557	16,485	11,071	10,286	10,674
Acc. Receivable	15,908	15,650	18,518	17,477	19,268	18,521	14,172	15,388	14,415	16,358
Inventories	20,894	21,667	14,153	15,428	15,247	15,193	8,446	9,534	10,072	11,919
Goodwill & Int.	28,351	35,155	35,789	45,750	44,709	43,720	29,689	46,974	45,271	45,373
Total Liab. ($B)	93	96	104	108	106	109	99	105	95	97
Accounts Payable	9,636	8,747	9,033	11,493	12,452	12,483	9,243	10,244	10,140	10,723
Long-Term Debt	26,379	33,210	34,741	37,827	37,263	39,762	49,002	53,090	46,819	46,228
Total Equity	39,278	38,790	38,586	50,871	52,841	52,654	42,724	51,221	48,058	50,587
LTD/E Ratio	0.67	0.86	0.90	0.74	0.71	0.76	1.15	1.04	0.97	0.91

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	5.4%	6.2%	4.3%	4.3%	4.3%	3.6%	2.9%	4.8%	2.6%	5.6%
Return on Equity	18.9%	21.4%	15.6%	14.7%	13.3%	11.1%	9.5%	15.7%	8.1%	17.2%
ROIC	11.0%	12.0%	8.3%	8.0%	7.5%	6.2%	4.7%	7.2%	3.8%	8.4%
Shares Out.	1690	1620	1620	1620	1620	1610	1610	1600	1580	1580
Revenue/Share	56.73	52.14	53.95	55.16	59.67	40.32	37.88	45.85	48.22	51.88
FCF/Share	4.21	3.25	3.71	3.18	4.18	4.60	5.05	6.09	5.47	6.68

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