



ABB Ltd. (ABBNY)

Updated April 25th, 2025 by Aristofanis Papadatos

Key Metrics

Current Price:	\$51	5 Year CAGR Estimate:	2.1%	Market Cap:	\$93 B
Fair Value Price:	\$38	5 Year Growth Estimate:	6.0%	Ex-Dividend Date:	3/31/2026 ¹
% Fair Value:	133%	5 Year Valuation Multiple Estimate:	-5.5%	Dividend Payment Date:	3/1/2026
Dividend Yield:	1.9%	5 Year Price Target	\$51	Years Of Dividend Growth:	6
Dividend Risk Score:	D	Sector:	Industrials	Rating:	Hold

Overview & Current Events

On May 23rd, 2023, ABB changed its ticker from ABB to ABBNY because it was delisted from NYSE and was listed on an OTC (over-the-counter) market. ABB is a global provider of automation technologies and power solutions. It operates in more than 100 countries and has four business units: Electrification Products, Robotics & Discrete Automation, Motion and Industrial Automation. ABB is based in Switzerland, but domestic investors can initiate an ownership stake in the company through American Depository Receipts (ADRs) that trade with a market capitalization of US\$93 billion under the ticker ABBNY.

In mid-April, ABB reported (4/17/25) financial results for the first quarter of fiscal 2025. Comparable revenue and orders grew 3% and 5%, respectively, over the prior year's quarter thanks to strong demand in the electrification segment, with particularly high demand from data centers. EBITDA margin expanded from 17.9% to 20.2% thanks to price hikes. Earnings-per-share grew 22%, from \$0.49 to \$0.60.

ABB raised its dividend by 3% this year and reiterated its positive guidance for 2025. It expects mid-single digit revenue growth and the EBITDA margin to improve significantly. Management also expects a positive book-to-bill ratio, i.e., it expects backlog to increase this year. Thanks to the positive guidance of management amid strong business momentum, we expect ~13% growth of earnings-per-share this year, from \$2.13 to \$2.40.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	\$0.87	\$0.88	\$1.25	\$1.33	\$1.24	\$0.98	\$2.25	\$1.30	\$2.01	\$2.13	\$2.40	\$3.21
DPS	\$0.75	\$0.75	\$0.76	\$0.81	\$0.79	\$0.83	\$0.85	\$0.88	\$0.92	\$0.96	\$0.99	\$1.10
Shares²	2192	2139	2139	2135	2135	2071	2053	1881	1856	1846	1840	1750

ABB's growth over the last decade has been far from compelling. The company faced a downturn due to the pandemic in 2020 but it has recovered strongly thanks to the recovery of the global economy. It is now facing high cost inflation but it is offsetting this headwind with price hikes. Moreover, ABB has a number of current growth opportunities that lead us to believe its future performance will be stronger than its historical track record. The Electrification segment, which generates 45% of the total revenues, seems to have the most promising prospects thanks to strong demand in key segments, such as rail, data centers, wind and electric vehicle infrastructure. We expect 6% average annual growth of earnings-per-share over the next five years, slightly below the 8-year average annual growth rate of 6.9%.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	23.1	22.9	23.5	17.3	16.0	23.8	15.0	22.5	18.2	24.9	21.3	16.0
Avg. Yld.	3.7%	3.7%	3.1%	3.4%	4.0%	3.6%	2.5%	3.0%	2.5%	1.8%	1.9%	2.1%

¹ Estimated date for annual dividend.

² In millions.

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ABB has traded at an average price-to-earnings ratio of 20.7 over the last decade. With that said, this sample includes several years (2015-2017) in which the stock traded with an elevated P/E ratio. We believe that fair value for a company of ABB's caliber lies somewhere around 16 times earnings. The stock is currently trading at a price-to-earnings ratio of 21.3. If it trades at our estimated fair earnings multiple in five years, it will incur a -5.5% annualized drag in its returns.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	86.2%	85.2%	73.8%	58.6%	63.7%	84.7%	37.8%	67.7%	45.8%	45.1%	41.3%	34.2%

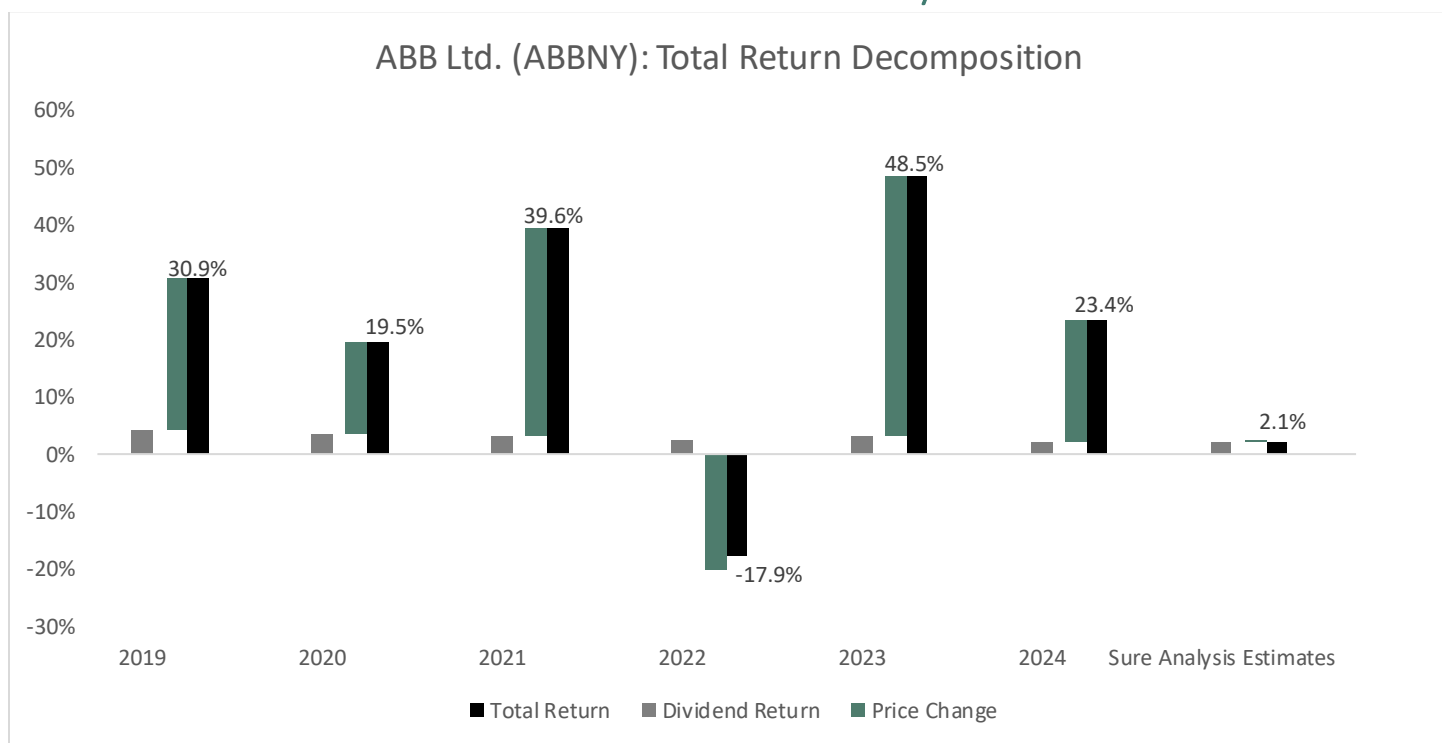
ABB has global businesses that are either the #1 or #2 player in attractive markets, with strong secular growth. The company expects its business markets to grow by 3.5%-4.0% per year on average over the long run. Thanks to its dominant position in its segments, ABB has a strong reputation and thus enjoys a significant competitive advantage over its peers.

Moreover, the company has a rock-solid balance sheet and pays negligible interest expense. On the other hand, the performance of ABB is greatly affected by economic growth and oil prices, which are beyond its control. Due to this vulnerability, the stock tends to underperform the market during sell-offs. Consequently, only investors who can tolerate significant price pressure should consider this stock.

Final Thoughts & Recommendation

ABB has a variety of appealing characteristics. It is a global business with leadership in many segments of the industrial sector. Moreover, it is recovering strongly from the pandemic but it will be vulnerable if the global economy falls into a recession. We are also concerned over the volatile and unreliable business performance of ABB. The stock has more than doubled off its bottom in 2022 and hence it could offer a 2.1% average annual return over the next five years, as its 6.0% earnings growth and its 1.9% dividend may be partly offset by a -5.5% valuation drag. ABB receives a hold rating.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	35481	24929	25196	27662	27978	26,134	28,945	29,446	32,235	32,850
Gross Profit	10134	7533	7846	8544	8906	7,878	9,467	9,710	11,214	12,274
Gross Margin	28.6%	30.2%	31.1%	30.9%	31.8%	30.1%	32.7%	33.0%	34.8%	37.4%
SG&A Exp.	5574	4532	4765	5295	5447	4,895	5,162	5,132	5,543	5,708
D&A Exp.	1160	870	836	916	961	915	893	814	780	802
Operating Profit	3154	2034	2068	2102	2261	1,904	5,718	3,337	4,871	5,097
Op. Margin	8.9%	8.2%	8.2%	7.6%	8.1%	7.3%	19.8%	11.3%	15.1%	15.5%
Net Profit	1933	1899	2213	2173	1439	5,146	4,546	2,475	3,745	3,935
Net Margin	5.4%	7.6%	8.8%	7.9%	5.1%	19.7%	15.7%	8.4%	11.6%	12.0%
Free Cash Flow	2942	3211	3047	2152	1563	999	2,510	525	3,520	3,830
Income Tax	788	526	583	544	772	496	1,057	757	930	1,278

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	41356	39202	43458	44441	46108	41,088	40,260	39,148	40,940	40,357
Cash & Equivalents	4565	3644	4526	3445	3544	3,278	4,159	4,156	3,891	4,311
Acc. Receivable	7197	7293	5553	5970	6434	6,820	6,551	6,858	7,446	7,114
Inventories	4757	4347	3737	4284	4184	4,469	4,880	6,028	6,149	5,859
Goodwill & Int.	12008	11497	11961	13371	13077	12,928	12,043	11,917	11,784	11,603
Total Liabilities	26368	25305	28109	29907	32128	25,089	24,303	25,876	26,794	25,297
Accounts Payable	4342	4446	3736	4424	4353	4,571	4,921	4,904	4,847	5,036
Long-Term Debt	7439	6803	7408	8618	9059	6,121	5,561	7,678	7,828	6,945
Total Equity	14481	13395	14819	13952	13526	15,685	15,579	12,777	13,410	14,488
LTD/E Ratio	0.51	0.51	0.50	0.62	0.67	0.39	0.36	0.60	0.58	0.48

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	4.5%	4.7%	5.4%	4.9%	3.2%	11.8%	11.2%	6.2%	9.4%	9.7%
Return on Equity	12.6%	13.6%	15.7%	15.1%	10.5%	35.2%	29.1%	17.5%	27.3%	26.9%
ROIC	8.2%	8.8%	10.2%	9.5%	6.2%	22.8%	20.8%	11.7%	17.4%	17.9%
Shares Out.	2191.6	2138.7	2138.7	2135.0	2135.0	2071.0	2053	1910	1867	1851
Revenue/Share	15.91	11.57	11.73	12.93	13.10	12.33	14.34	15.42	17.27	17.75
FCF/Share	1.32	1.49	1.42	1.01	0.73	0.47	1.24	0.27	1.89	2.07

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

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