





Powell Industries, Inc. (POWL)



Betsy Wills
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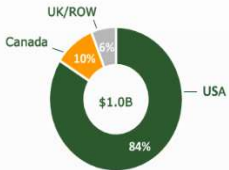
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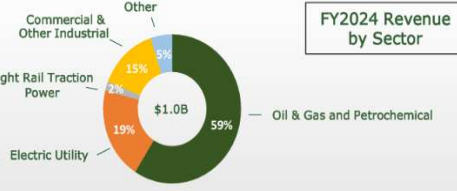
Background Info

- Founded in 1947, HQ in Houston, Texas
- Medium Size Company
- Plays vital role in energy distribution
- #10 on Forbes List of Most Successful Small-Cap Companies 2024



FY2024 Revenue by Geography

Geography	Percentage
USA	84%
Canada	10%
UK/ROW	6%



FY2024 Revenue by Sector

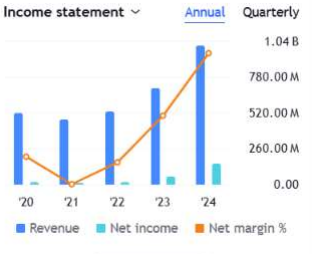
Sector	Percentage
Oil & Gas and Petrochemical	59%
Electric Utility	19%
Light Rail Traction Power	2%
Commercial & Other Industrial	15%
Other	5%

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FY2024 Numbers

- Revenues: \$1 billion, a 45% increase
- Gross profit of \$273 million, or 27.0% of revenue
- Net income of \$150 million, or \$12.29 per diluted share, increased 175%
- New orders totaled \$1.1B
- Net income margin: 15%
 - Industry average: 6%
- Dividends: \$12.7 million
- **No debt**



Income statement | Annual | Quarterly

Year	Revenue	Net income	Net margin %
'20	~\$400M	~\$50M	~12.5%
'21	~\$450M	~\$60M	~13.3%
'22	~\$500M	~\$70M	~14.0%
'23	~\$600M	~\$90M	~15.0%
'24	\$1.0B	\$150M	15.0%

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FY2024 Revenue Breakdown

- Oil & gas: 41% of total revenues
- Petrochemical market: 18% of total revenues
- Electric utility market: 19% of total revenues
- Commercial and other industrial, light rail traction and all other markets contributed 15%, 2% and 5% respectively to total revenues

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Q1 25 Numbers (Dec. 31, 2024)

- Revenues: \$241.4 million, a 24% increase
- Gross profit of \$60 million, or 25.0% of revenue
- Net income of \$34.8 million, or \$2.86 per diluted share, a 44% increase YoY
- New orders totaled \$269 million, up 36% YoY
 - 33% attributable to utility market
- \$75 million award for US LNG project

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Brief History of Electricity – War of the Currents: AC v. DC Power

- Late 1880s, Thomas Edison and Nikola Tesla were embroiled in a battle now known as the War of the Currents
- Thomas Edison = Direct Current (DC): electricity always flows in one direction
 - Milder, safer – but can't travel far so need many power plants
 - Not easily converted to higher or lower voltages.
- Tesla = Alternating Current (AC): electricity always flows back and forth
 - Powerful – can travel far, so power plants can serve distant locations
 - But, potentially lethal

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Brief History of Electricity – War of the Currents: AC v. DC Power

- Edison, not wanting to lose the royalties he was earning from his direct current patents, began a campaign to discredit alternating current
- He spread misinformation saying that alternating current was more dangerous
 - Even publicly electrocuted stray animals using alternating current to prove how dangerous it was

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Transformers and Switchgears

- 1885 – Westinghouse licensed Tesla's AC patent
- Built first transformer to control electricity (Niagara Falls)
- Transformers connect circuits to one another
 - They step voltage up or down as needed
- Allowed AC to be safely used on a mass scale
- Transformers are very expensive – so we use switchgears

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What are Switchgears and What Do They Do?

- Switchgears are electrical traffic cops - they accept voltage entering a facility, typically a utility or a substation, divide it up and route it along different pathways
- They facilitate problem solving: they have circuit breakers and fuses that cut power when safety needs so require
 - They also include analytic capabilities

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What Powell Does

- Makes various forms of customized switchgear for commercial applications
- Products are custom-engineered to:
 - Distribute, control and monitor the flow of electrical energy
 - Provide protection to motors, transformers and other electrically powered equipment
- Focuses on low and medium voltage applications
- Products are complex, and engineered to order, i.e., custom made
 - Switching is a complex process – different customers need different devices
 - Focuses on breakers, switches, grounding tools, chargers, and industrial-scale electrical management hardware

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Focusing on Electrical Distribution

The diagram illustrates the electrical distribution process, starting with power sources (Solar, Wind, Fossil Fuels, Hydroelectric, Nuclear) feeding into a central switching and distribution stage (1 & 2). This stage is followed by distribution to end-users (Industrial, Commercial, Residential, Transit, Sustainability) through a network of switchgear (3). The diagram also highlights Powell's role in asset management through data and analytics of switch and protective devices, and the use of Electricity Flow Data/Analytics.

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1 & 2

Switching, Connecting & Distribution Loads < 69kV

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Asset Management Through Data & Analytics of Switch & Protective devices

Industrial Commercial Residential Transit Sustainability

Electricity Flow Data/Analytics

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Primary End Markets

Oil, Gas and Petrochemicals





Processing liquids & gases requires safe reliable energy





- Liquefied Natural Gas (LNG)
- Refining
- Petrochemical
- Pipelines
- Biofuels, Hydrogen, Carbon Capture

Industrial & Commercial Applications

Industries that require or produce large amounts of electrical energy

- Utilities – Generation & Distribution
- Transportation – Light Rail
- Metals and Mining
- Pulp and Paper
- Data Centers

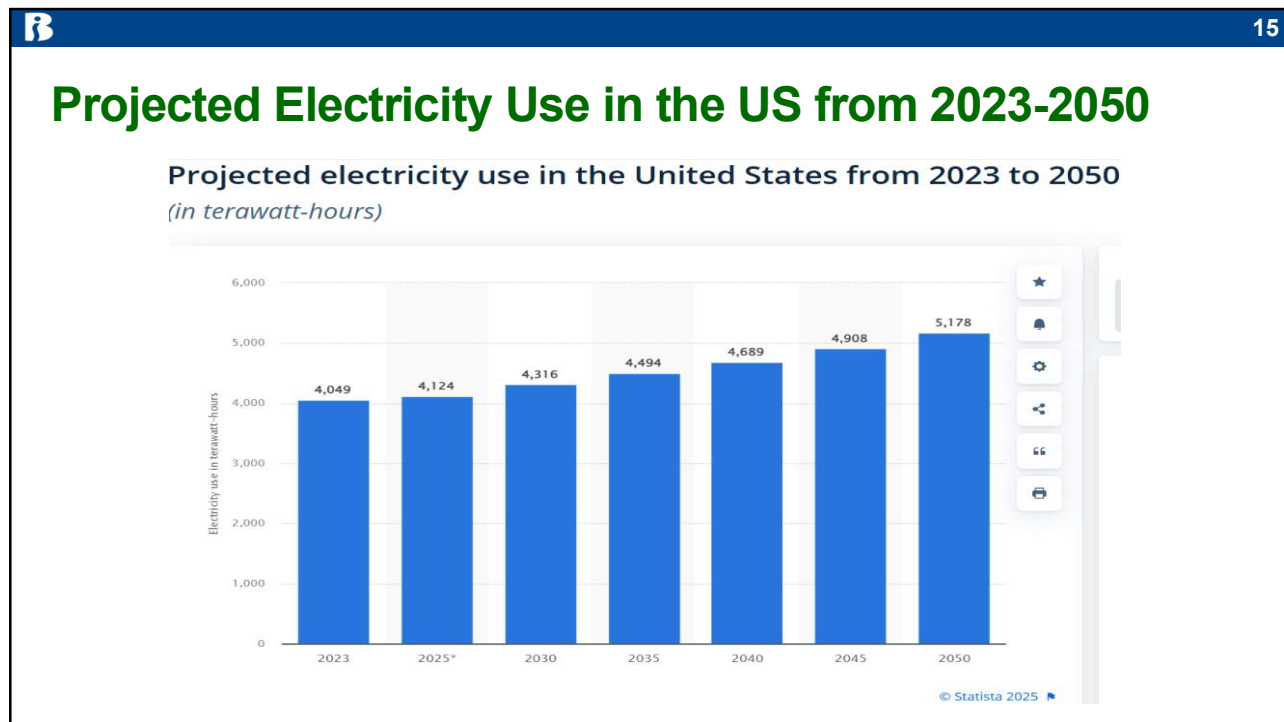
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Why It's a Growth Stock

- Healthy balance sheet; massive order backlog
- Strong economic tailwinds from megatrends
- Trump administration promise to “Drill Baby Drill”
 - Drilling companies need large, custom-designed electrical distribution systems to power drills, sensors, motors, and more
 - Reducing regulations expected to incentivize more domestic American energy production, which should result in more business for POWL
- Worldwide demand for electrical energy expected to grow from 25,000 terawatt hours in 2022 to 36,000 (2030) and to 71,000 in 2050

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Powell is in the Middle of 3 of the Largest Megatrends

- Transition towards clean energy:
 - Oil & gas industry getting increasingly electrified, especially Permian Basin
- Artificial Intelligence:
 - Data centers need to power AI workloads – AI forecast to quadruple historic rates of electricity demand
 - POWL's data center segment grew 80% YoY
 - Cloud data centers, crypto mining operations, EVs, EV charging stations, wearables, smart phones/kindles/laptops with AI

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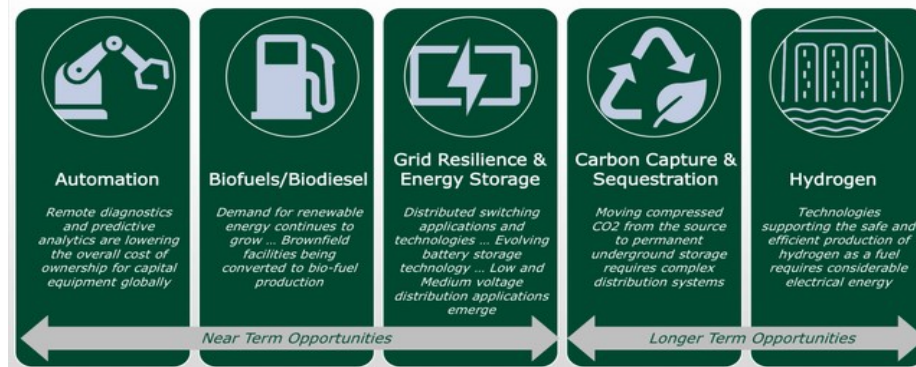
Powell is in the Middle of 3 of the Largest Megatrends

- Reshoring of American manufacturing:
 - 18% of announced projects have commenced building, 72% of projects in planning stage (3-5 years to need for electrical components)
 - Demand for electrical products creating a significant shortage of transformers and switchgear throughout the US
- New domestic gas power plants to satisfy growth in electricity demand + electrification of oil & gas industry will continue to drive demand for transformers and switchgears

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Developing Market Opportunities

New Technologies Driving Opportunity... Increased demand for cleaner energy and lower cost of ownership is opening new growth opportunities



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Competitors/Partners

Unique Position *as a full line manufacturer with complete integration capability at multiple locations*

Electrical Equipment Manufacturers Regional Fabricators/Integrators

HVAC Systems Fire / Gas Detection Safety Stations
 Battery Systems Communications 3rd Party Certification

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Competitors Per POWL 10-K

- ABB: a Swiss global technology leader in electrification and automation
 - 2024 FY revenues: \$33 B (USD)
- Eaton Corporation: American-Irish-domiciled multinational power management company; primary administrative center in Ohio
 - 2024 FY revenues: \$24.9 B (USD)
- Schneider Electric: a French multi-national company
 - 2024 FY revenues: \$41.2 B (USD)
- Siemens Industries, Inc.: a German global energy company
 - 2024 FY revenues: \$37.2 B (USD)

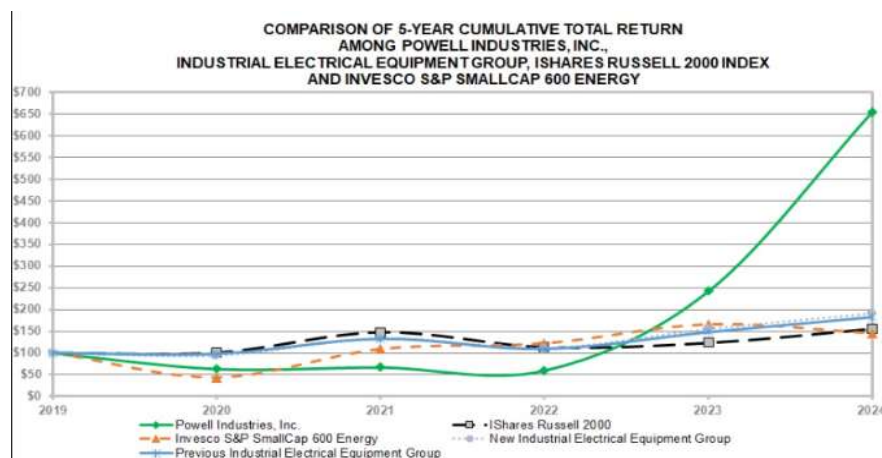
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Peers Per POWL SSG

- **Atkore Company:** a leading manufacturer of electrical products for commercial, industrial, data center, telecommunications, and solar applications based in Illinois
 - 2024 FY revenues: \$3.2 B
- **Vertiv Holdings:** American multinational provider of critical infrastructure and services for data centers, communication networks, and commercial and industrial environments based in Ohio
 - 2024 FY revenues: \$8 B
- **Hayward Holdings:** a North Carolina based global designer, manufacturer and marketer of a broad portfolio of pool equipment and associated automation systems
 - 2024 FY revenues: \$1051 M

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Performance Graph from FYE 2024 10-K



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Strengths

- Delivers custom-engineered, high quality electrical products tailored to specific customer needs
- Strong customer relationships and established reputation built over decades (since 1947)
- Strong foothold and improving conditions in oil & gas and petrochemical markets
- Diverse product portfolio mitigates risks associated with market fluctuations and enhances its market share in the utility, commercial and other industrial markets
- Capitalizing on the global growth trends of electrification and digitalization

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Weaknesses

- Higher operating costs and expenses – can impact profitability
 - Q125 cost of sales increased 25% due to high raw material costs
- Investment in manufacturing capabilities might lead to inefficiencies if market demand does not meet POWL's expectations
- Business requires skilled and unskilled labor
- When placing bids for products or services, the failure to adequately project costs for customers' projects may lead to POWL winning a bid that does not adequately compensate it for its costs

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Opportunities

- Growing presence in data center and electric utilities
- Expansion of Houston facility in 2025 expected to enhance offerings across data centers, hydrogen, carbon capture and other transitional energy markets
- Global electricity consumption from 2025-2027 is expected to rise by an unprecedented 3,500 terawatt hours
 - That's like adding the equivalent of a Japan to the world's electricity consumption each year (Report of the *International Energy Agency*, "Electricity 2025: Analysis and Forecast to 2027")

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Threats

- Supply chain disruptions could inflate costs and affect its margins
 - POWL uses a variety of raw materials, including steel, copper, aluminum and various engineered electrical components
 - Depends on others for the uninterrupted supply of raw materials and components at reasonable rates
- Cost of raw materials increasing
 - POWL mitigates by hedging, internal cost reduction and contract pricing adjustments
- Competition from major players like Eaton Corporation and others could hamper the company's ability to maintain its market share

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Mindset When Investing in Smaller Stocks

- This is NOT your rent money!
- This money is not needed for liquidity in the near term
 - College, travel, medical, etc
- Must be able to “ride the rollercoaster” and still sleep at night
- “Be able to be at ease in the midst of all things” (My yoga teacher)

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Jeff Bezos' Philosophy of Investing




Jeff Bezos

- *"Given a 10% chance of a 100 times payoff, you should take that bet every time."*

- *Bezos "makes his investments based on if it's going to change people's lives."*

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Questions or Comments?

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