

EATON CORPORATION PLC

NYSE: ETN | Switchgear, UPS, power distribution and liquid cooling for data centres; aerospace | Dublin, Ireland

Tommy Lau | 26 October 2026 | Initiation of coverage | Independent research

LONG	Target price: US\$430.00	Last price: US\$366.11 (NYSE close, 23 October 2026)	Upside: +17.5%
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Eaton has a year of orders waiting. At US\$366, the shares price in the margin it lost this year, not the margin it gets back.

Eaton's Electrical Americas business makes switchgear, UPS systems, busway and prefabricated electrical rooms, the equipment inside a data centre's fence. My piece of 26 October argued that its queue keeps lengthening even as it ships more. At the end of June its backlog equalled 12.6 months of sales, up from 11.2 a year earlier.

The claim holds. The queue also cut this year's margin, because orders priced months earlier met higher metal costs, and Eaton expects that gap to close in the second half. The shares fell 14.5% from 13 to 23 October with no new results, and now trade at 19.4 times my 2028 earnings for Eaton without Mobility.

My call: LONG, target US\$430, low conviction. Twenty-three times my 2028 EPS of US\$18.85 gives US\$434, up 18%, inside a range of US\$270 (down 26%) to US\$534 (up 46%). Conviction is low because the base clears my 15% bar by only three points.

Stock data

LAST PRICE

US\$366.11, NYSE close 23 October 2026; record close **US\$459.96** and intraday high **US\$478.00** on 12 Aug 2026

MARKET VALUE

US\$142.2bn on 388.4m shares (30 Jun 2026)

NET DEBT, 30 JUN 2026

US\$19.9bn after Boyd Thermal; enterprise value about **US\$162bn**

2026 GUIDE (31 JUL 2026)

Adjusted EPS US\$13.40 to 13.60; organic growth 11 to 13%; segment margin 24.1 to 24.5%

P/E

27.1x 2026 guide midpoint; **22.5x** 2027 consensus (**US\$16.30**); **19.4x** my 2028E

ELECTRICAL AMERICAS QUEUE

Backlog US\$15.2bn at 30 Jun 2026: 12.6 months of trailing sales, from 11.2 a year earlier

CONSENSUS (STOCKANALYSIS.COM)

Average target US\$485 (28 analysts); forward P/E 24.2x

NEXT EVENT

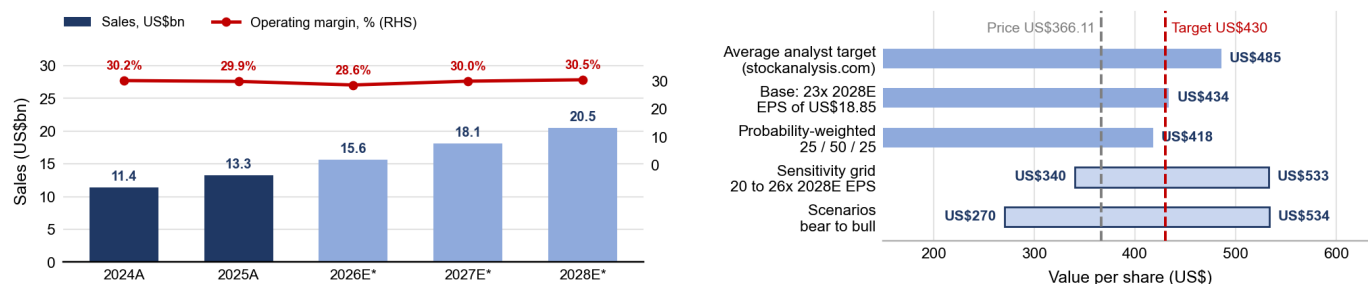
Q3 2026 results, 3 November 2026, before the NYSE opens (announced by Eaton)

Key financials (calendar years; adjusted EPS as Eaton defines it)

US\$ million unless stated	2024A	2025A	2026E*	2027E*	2028E*
Electrical Americas sales	11,436	13,276	15,641	18,144	20,502
Growth (%)		16	18	16	13
Electrical Americas margin (%)	30.2	29.9	28.6	30.0	30.5
Group sales†	24,878	27,448	32,998	34,076	37,922
Segment margin (%)	24.0	24.5	24.2	26.4	26.9
Adjusted EPS (US\$)	10.80	12.07	13.49	16.14	18.85
Guide midpoint / consensus EPS (US\$)			13.50	16.30	
P/E at US\$366.11 (x)			27.1	22.7	19.4

*2026E is Eaton's first half results plus my second half; 2027E and 2028E are my estimates for continuing operations. †2027E and 2028E exclude Mobility (US\$3.1bn of sales in 2025), which Eaton plans to combine with Dana in Q1 2027. 2024A and 2025A from Eaton's releases. 2026 P/E on the guide midpoint. Consensus from stockanalysis.com, updated 20 October 2026; the 2027 consensus appears to include Mobility, so it is not directly comparable with my 2027E.

Two charts: the margin that has to come back, and a value above the price

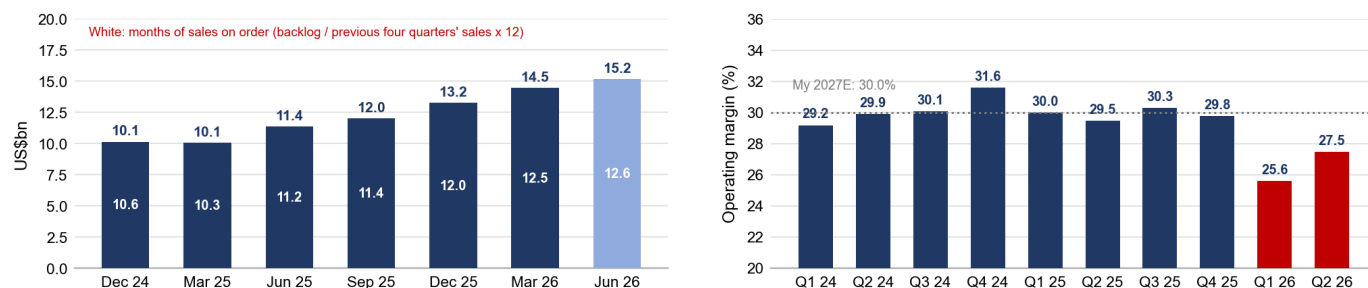


Left: Electrical Americas sales and operating margin; 2024A and 2025A per Eaton, 2026E to 2028E mine. Right: value per share from the base case, the weighted cases, the sensitivity grid and the bear to bull range, against the target (red) and the price (grey).

The thesis: a year-long queue, priced before the metal went up

Think of the bakery from the piece before a holiday. The queue runs out of the door, and the owner has taken orders weeks ahead at prices written on the order slips. Then the price of flour jumps. Every cake already promised is baked at the old price on new flour, so the owner earns less on each one until the old orders clear and the new slips carry the new price.

Eaton's Electrical Americas business is that bakery. Its backlog was US\$15.2bn at the end of June 2026, against US\$14.5bn of sales over the previous four quarters: 1.05 years, or 12.6 months. The ratio was 10.3 months in March 2025 and 11.2 in June 2025, and has risen in each quarter since. Over the year to June, trailing sales grew 18% and the backlog 33%. Twelve-month orders were up 41% organically, and book to bill was 1.3. The ratio is my arithmetic and a proxy, not a lead time: some of the rise is price, which Eaton does not split out.



Left: Electrical Americas backlog at quarter end, US\$bn; white figures are months of sales on order (derived). Sources: Form 10-K 2025 and Form 10-Qs. Right: Electrical Americas operating margin by quarter, Q1 2024 to Q2 2026; red bars are the two quarters of 2026. Sources: Eaton quarterly earnings releases, 1 August 2024 to 31 July 2026.

The queue had a cost. Electrical Americas earned 29.9% in 2025, and between 29.2% and 31.6% in every quarter of 2024 and 2025. In the first quarter of 2026 the margin fell to 25.6%; the 10-Q puts 480 basis points of that down to commodity inflation and 100 to the cost of growth projects. In the second quarter it recovered to 27.5%, still 2 points below a year earlier, after a 470 basis point commodity hit. On the call of 31 July, according to a third-party transcript, management said most of the fall was a temporary gap between price and cost and, after price rises in the second quarter and early third, expected it to be roughly neutral in the second half.

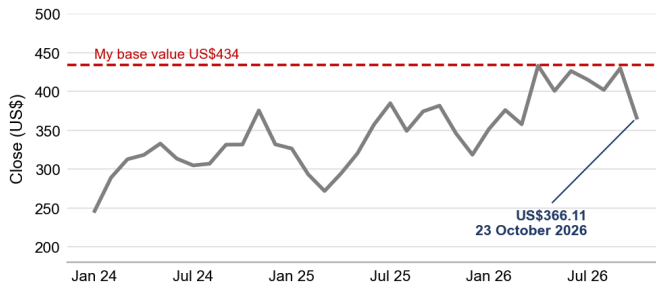
My reading is the bakery's: orders priced months earlier were still shipping on more expensive metal. If so, the margin returns as the old orders clear, and the longer queue then carries the new prices. Electrical Americas earned 59% of Eaton's segment profit in 2025. Each point of its 2028 margin is worth about US\$0.44 a share on my estimates, about US\$10 at my multiple.

Eaton is also changing shape. It bought Boyd Thermal, a liquid cooling maker, for US\$9.55bn in March 2026 and Ultra PCS, aerospace electronics, for US\$1.53bn in January. It plans to combine Mobility, its truck and car parts business, with Dana in Q1 2027, receiving about US\$1.1bn in cash while its shareholders own at least 50.1% of the combined company.

Nothing in Eaton's filings shows the piece was wrong. The ratio has risen five quarters running, orders run ahead of sales, and the plants the piece named are still due in 2027. One caveat strengthens it: the June 2025 backlog included Fibrebond, bought on 1 April 2025, while that date's trailing sales held only one quarter of it, so the rise since is if anything understated. On my Q3 sales estimate of about US\$4.0bn, the September backlog needs to exceed about US\$15.8bn for the ratio to keep rising.

Variant perception: what the market prices in, and where I differ

At US\$366.11 Eaton is worth US\$142.2bn. Net debt was US\$19.9bn at the end of June, so the enterprise value is about US\$162bn. The shares trade at 27.1 times the 2026 guide midpoint and 22.5 times the 2027 consensus of US\$16.30, which appears to include Mobility; at the August high they traded at 34.1 times the guide. Eaton's forward P/E is 24.2 times against a 20.5 times median for seven electrical peers, and averaged 24.0 times from 2021 to 2025 (stockanalysis.com). The average target of 28 analysts is US\$485.



Date	What happened	Move
5 May 2026	Q1 results; EA margin 25.6%; 2026 guide raised	down 2.7%
31 Jul 2026	Q2 results; EA margin 27.5%; guide raised to US\$13.40 to 13.60	up 7.3%
12 Aug 2026	Record close US\$459.96	Peak
14 to 23 Oct	AI infrastructure sell-off; no Eaton results	down 14.5%

Left: Eaton month-end close, January 2024 to the 23 October 2026 close, against my base value (red). Yahoo Finance, retrieved 26 October 2026. Right: moves from the previous close to the close on the results day (results come before the open), and from 13 to 23 October.

I read the October fall as the market pricing two worries: that AI data centre spending is near a peak, and that this year's lower margin is the new normal. I differ on both.

The queue answers most of the first worry for 2027. With 12.6 months of sales on order, and capacity setting the pace of shipments, a slowdown in orders would shorten the queue before it cut sales. My base case grows Electrical Americas 16% in 2027, close to Q2's 18% organic, and 13% in 2028, when new plants add capacity.

The margin is the real variable, and it should come back. I take Electrical Americas to 30.5% in the second half of 2026, 30.0% in 2027 and 30.5% in 2028: the level of 2024 and 2025, not above it. That matches Eaton's own guide of a 24.6 to 25.0% segment margin in Q3 and 24.1 to 24.5% for 2026, against 22.9% in the first half.

The price pays 19.4 times my 2028 earnings. Without Mobility, I estimate US\$16.14 a share in 2027 and US\$18.85 in 2028; the 2027 consensus appears to include Mobility, so the two are not directly comparable. Year for year, the price is 22.7 times my 2027 estimate against a 20.5 times peer median forward P/E, a premium of about two turns, for a business with a year of orders waiting and earnings growing about 18% a year.

Valuation, with the working

I value Eaton on adjusted EPS, twelve months out: by October 2027 the market will price 2028 as the year ahead. I build each segment's sales and margin and bridge to EPS. For 2026, first half actuals plus my second half, corporate costs of US\$790m, net interest of US\$710m and a 19% tax rate give US\$13.49, against Eaton's guide midpoint of US\$13.50. For 2027 and 2028 I remove Mobility, cut interest to US\$680m and US\$580m as debt is repaid, and retire 10m shares in the Mobility exchange offer. All are my estimates.

The multiple. I use 23 times 2028 earnings: one turn below Eaton's own 24.0 times average forward P/E of 2021 to 2025, because AI sentiment has cooled, and above the 20.5 times peer median because Eaton's earnings grow about 18% a year on my estimates. $23 \times \text{US\$18.85} = \text{US\$433.57}$, rounded down to a target of US\$430.

Scenarios: three cases, twelve months out

Case	What happens	2028 EPS	Multiple	Value	Change	Weight
Bear	AI orders pause in 2027; EA growth 8% then 4%, margin slips to 27.5%	US\$15.01	18x	US\$270	down 26%	25%
Base	EA growth 16% then 13%, margin back to 30 to 30.5%	US\$18.85	23x	US\$434	up 18%	50%
Bull	Capacity early; EA growth 19% then 16%, margin 31.5%	US\$20.52	26x	US\$534	up 46%	25%
Weighted	25 / 50 / 25			about US\$418	up 14%	

All cases start from my 2026E segment sales and use the same bridge. Electrical Global and Aerospace growth moves 3 points down or 2 up and their margins 1 point down or half a point up. The bear case is close to a quarter below the price.

Sensitivity: 2028 EPS against the multiple

2028 EPS	20x	23x	26x
US\$17.00	US\$340	US\$391	US\$442
US\$18.85	US\$377	US\$434	US\$490
US\$20.50	US\$410	US\$472	US\$533

Eight of the nine cells sit above the price, but only five sit 15% or more above it. At 22 times my 2028 EPS the base value would be 13% above the price, inside the no call band. A long needs the base 15% or more above the price, a short 25% or more below. At 18% above, my call is long, with low conviction.

Peer landscape

Company	Ticker	Forward P/E	EV/EBIT	What they make
Eaton	NYSE: ETN	24.2x	29.9x	Switchgear, UPS, busway, power enclosures, liquid cooling; aerospace
Vertiv	NYSE: VRT	24.5x	32.8x	Data centre power, thermal and liquid cooling
ABB	SWX: ABBN	22.4x	22.9x	Electrification and automation equipment
nVent	NYSE: NVT	21.1x	26.5x	Enclosures, electrical connections, liquid cooling
Hubbell	NYSE: HUBB	20.5x	22.5x	Utility and electrical components
Siemens	ETR: SIE	20.4x	23.0x	Smart infrastructure, automation, rail, software
Legrand	EPA: LR	19.2x	20.1x	Electrical and digital building infrastructure, data centre white space
Schneider Electric	EPA: SU	19.1x	19.5x	Electrical distribution, automation, data centre power and cooling

Forward P/E and trailing EV/EBIT from stockanalysis.com, retrieved 26 October 2026. Peer median excluding Eaton: 20.5x forward P/E, 22.9x EV/EBIT. GE Vernova is left out: its trailing EV/EBIT of 76x reflects earnings still recovering. Multiples are used only to set the range; no view on the peers' shares is expressed.

Catalysts

When	Event	What I watch
3 November 2026 (announced)	Q3 2026 results, before the NYSE opens	EA margin against 30.3% a year earlier; September backlog against about US\$15.8bn; adjusted EPS against US\$3.46 to 3.56
Early 2027 (date not announced)	Q4 2026 results and 2027 guide	EA margin above 29% in Q4; 2026 EPS against the US\$13.40 bottom of the guide
Q1 2027	Mobility combined with Dana	Exchange offer terms; shares retired; use of the ~US\$1.1bn cash
2027	South Carolina transformer and Nebraska switchgear plants start	On time; whether Eaton says its extended lead times are shrinking

Risks: what would hurt the view

AI spending turns. On the Q2 call, per a third-party transcript, management said data centre sales in Electrical Americas were up about 65%. A cut by the largest cloud companies would show first in orders, then in the queue. That is the bear case, a 26% fall.

The margin does not come back. If metal costs keep rising faster than Eaton can reprice, the gap could last into 2027. Each point of 2028 EA margin is worth about US\$10 a share at my multiple.

The new capacity is slow. Eaton is spending more than US\$1bn on about two dozen capacity projects in the Americas. New lines run on overtime and new operators at first. A third plant, for enclosures, is announced in Arkansas.

Debt and deals. Net debt rose from US\$9.1bn at the end of 2025 to US\$19.9bn, mostly for Boyd Thermal, and Eaton bought back no shares in the first half. The Dana transaction needs Dana's shareholders and regulators. If it becomes a pro rata spin-off, no shares are retired and my 2028 EPS falls about 2.6%.

What would change my mind

Into no call: a weak EA margin in Q3 or Q4, or the queue falling for two quarters. On unchanged estimates, the base value sits 15% above any price below about US\$377, and 25% below any price above about US\$578.

My call is wrong if: Electrical Americas operating margin is below 29 per cent in the fourth quarter of 2026, after Eaton said price and cost would be back in balance in the second half; or 2026 adjusted earnings per share land below the US\$13.40 bottom of Eaton's guide; or Electrical Americas backlog over its previous four quarters of sales falls for two consecutive quarters before mid 2027.

Conclusion

The October piece argued that Eaton's queue in the Americas keeps lengthening even as it ships more. Its filings agree: 12.6 months of sales on order in June, up from 11.2, with orders 1.3 times sales. Nothing I found says the piece was wrong. The queue cut this year's margin, because orders priced months ago met higher metal costs; Eaton expects that gap to close in the second half. At US\$366.11 the market pays 22.7 times my 2027 and 19.4 times my 2028 earnings. My call: LONG, target US\$430, low conviction; base value US\$434, range US\$270 to US\$534.

Appendix: forecast assumptions

Assumption	2026E	2027E	2028E	Basis
EA sales growth	18%	16%	13%	Near Q2's 18% organic; capacity sets the pace
EA operating margin	28.6% (H2 30.5%)	30.0%	30.5%	Back to the 2024 and 2025 level
Electrical Global margin	20.3%	21.0%	21.5%	Boyd Thermal in for a full year
Aerospace margin	24.8%	25.0%	25.0%	First half 2026: 24.6%
Interest, US\$m	710	680	580	Debt repaid from Dana cash and free cash flow
Tax rate	19%	19%	19%	Reproduces the 2026 guide midpoint
Diluted shares, m	389.5	379.5	379.5	Less 10m in the exchange offer; no buybacks

All my estimates. Full workings, with live formulas, in the accompanying model, 2026-10-26_Eaton_Model.xlsx.

Sources

Eaton second quarter 2026 earnings release (Form 8-K, Exhibit 99) and Form 10-Q, 31 July 2026, for segment sales and profit, the adjusted EPS bridge, the balance sheet, guidance, backlog, book to bill and the margin bridge. Eaton Form 10-Qs for the quarters to 31 March 2025, 30 September 2025 and 31 March 2026, and the 2025 Form 10-K, for backlog and margin. Eaton quarterly earnings releases from 1 August 2024 to 5 May 2026 for segment results by quarter. Eaton Form 8-K of 11 June 2026 on the Mobility and Dana transaction, and of 16 October 2026 recasting 2025 segments. Eaton's announcement of its 3 November 2026 results date. Eaton second quarter 2026 earnings call, 31 July 2026, from a third-party transcript (Motley Fool). Plant announcements of 12 February 2025, 8 April 2026 and 2 September 2026, confirmed through trade press. Share prices from Yahoo Finance; consensus, targets and peer multiples from stockanalysis.com (S&P Global data); all retrieved 26 October 2026. Estimates for the second half of 2026, 2027 and 2028 are the author's own.

About this note

I wrote this note and built the accompanying model independently. It is not a product of any bank or broker. It tests a claim from my journal piece of 26 October 2026, thephysicalayer.fyi/journal/eaton-order-book-outruns-it; all notes and their track record are at thephysicalayer.fyi/research. Figures from company filings are labelled as such; derived figures are marked; the forecasts and view are my own estimates and my own view. I hold no position in Eaton. Personal research, not investment advice.

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