Industrials

October 29, 2026
Global Equity Research

Gas Turbines and Castings

Initiation of Coverage

SpaceX Can Cast a Blade, Not a Backlog: Overweight Howmet and Siemens Energy

Howmet Aerospace (HWM US): Overweight, PT $238 (+22% total return). Howmet casts more than half of the world's industrial gas turbine blades, and its gas turbine revenue grew +41% in the first nine months of 2026. The shares are 33% below their 18 August closing high, hit by SpaceX's casting plan, GE Aerospace's purchase of a rival caster and the October sell-off. A 3 to 4 GW bridge, Morgan Stanley's estimate of what SpaceX can buy in by end-2027, would put under 1% of Howmet's revenue at risk; the day SpaceX's plan broke took $7.9bn off Howmet's market value.

Siemens Energy (ENR GY): Overweight, PT €150 (+13%). The cheapest of the three OEMs on 2028 earnings: 17.3x our 2028 EPS against 25.8x for GE Vernova, with 95 GW of gas commitments, slots booked to FY28 and blade supply agreements that run into the 2030s. FY30 targets arrive on 11 November.

GE Vernova (GEV US): Neutral, PT $925 (+6%). The quarter did not shock the market upward. The shares fell 1.9% (an abnormal -2.3%) as new gas signings fell to 11 GW from 20 GW, even though backlog and reservations reached 122 GW, 6.1 years of output. The best franchise in the group is priced as one.

Mitsubishi Heavy (7011 JT): Underweight, PT ¥3,100 (-11%). The most cautious capacity plan of the three, the weakest results-day record in our event study, and consensus FY3/27 EPS 16% above company guidance before first-half results in early November. **SpaceX** stays Underweight, PT $90, unchanged from our 28 October note.

Key Points

Sold out is a backlog, not a date

We estimate GE Vernova and Siemens Energy will end 2026 with 6.0 years of 2027 capacity in backlog. If signings fall to 50 GW in 2027 and 40 GW a year after, and a fifth of reservations lapse, cover is still 3.2 years in 2030 (Exhibit 7). The risk to the OEMs is the price of new orders, not volume.

The blade is under a tenth of the price and sets the wait

Casting revenue, spares included, is at most about $40 per kW of new capacity, 6.6% of a $600 per kW turbine; new-build blades alone are nearer 2%. New capacity takes even Howmet about two years from commitment. SpaceX's foundry passes one of our eight tests outright (Exhibit 12).

What trades

Long Howmet, short GE Vernova at a 0.41 hedge ratio: the price ratio has fallen 37% in a year and sits 1.6 standard deviations below its 52-week mean (Exhibit 22).

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Symbol	PT (Prev.)	Rating (Prev.)	Price
• HWM US	$238 (NA)	OW (NA)	$195.19
• ENR GY	€150 (NA)	OW (NA)	€133.26
• GEV US	$925 (NA)	N (NA)	$878.03
• 7011 JT	¥3,100 (NA)	UW (NA)	¥3,550
• SPCX US	$90 ($90)	UW (UW)	$145.23

Prices at the 28-Oct-26 close; Dec-27 PTs. Blue: new coverage. Grey: unchanged (SpaceX from our 28 Oct note).

Valuation	P/E 27E	P/E 28E	From high
GE Vernova	35.1x	25.8x	(25%)
Siemens Energy	21.2x	17.3x	(29%)
Mitsubishi	24.3x	22.4x	(31%)
Howmet	29.8x	25.3x	(33%)

K2 EPS. 27E: FY Dec-27 (GEV, HWM), Sep-27 (ENR), Mar-28 (MHI). 28E: calendar 2028. From high: vs 2026 closing high.

Strategy	Verdict
Long HWM / short GEV	Implement
Long ENR / short GEV	Use selectively
Buy HWM five sessions before results	Use selectively
Trade ENR on GEV's results day	Use selectively
Buy HWM on a caster headline	Avoid
Hold OEMs 60 days after results	Avoid

Evidence in Exhibit 25.

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GE Vernova beat, raised and fell

GE Vernova reported before the open on 28 October. Revenue of $12.64bn beat the $11.99bn consensus, GAAP EPS of $4.81 beat $4.03, and 2026 guidance rose to revenue of $46.5bn to $47.5bn and free cash flow of $16bn to $17bn. The shares closed 1.9% lower, after trading 6.6% lower intraday; allowing for the S&P 500 and a beta of 1.41, the abnormal return was -2.3%. That is the second-weakest of GE Vernova's 11 results days, but only 0.7 standard deviations below their +2.1% mean (Exhibit 19). The real shocks came on 22 July (-8.5% abnormal) and on 22 October, when an AI-infrastructure sell-off took 10.6% off the stock in one session.

What the market heard: 11 GW

New gas signings, orders plus slot reservations, were 11 GW against 20 GW in the second quarter, 45% lower. Reservations fell from 63 GW to 58 GW as 13 GW converted into firm orders. Signings still covered shipments 2.2 times. The year-end target of at least 130 GW implies at least 13 GW in the fourth quarter, and GE Vernova's CEO suggested 2027 quarters may look more like the third and fourth quarters than the first half. Pricing is the offset: 2026 gas orders are about 50% higher per kW than 2025 orders, and third-quarter orders were priced more than 20% above fourth-quarter 2025, though the fourth quarter will be lower on mix.

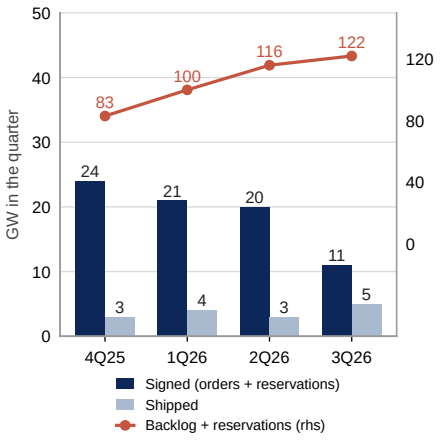
Sold out until 2032? Booking into 2032

The CEO's words were "we sold multiple slots for 2032 delivery". In July GE Vernova expected to be mostly sold out through 2030 and to have sold more than half of its 30 GW of 2031 slots by year-end. Siemens Energy is booked to FY28, and a new order today delivers in 2030 or 2031. Howmet's CEO said on 29 October that customers now describe 2031 as sold out, with 2032 likely to follow within one or two quarters.

The blade claim holds, with a caveat

Siemens Energy's head of investor relations cites "many discussions about the industry supply of blades and vanes"; Wood Mackenzie calls single-crystal blades the critical bottleneck; EPRI names rotor forgings and hot-section blades. GE Vernova did not raise castings on the call. It said in July that the castings and forgings for its step to 24 GW in 2028 arrive in 2027 and are on track.

Exhibit 1 - GE Vernova Gas, GW



Source: GE Vernova releases.

Exhibit 2 - Reaction on 28 Oct

28 Oct	Move	Abnormal
GE Vernova	**(1.9%)**	**(2.3%)**
Siemens Energy	3.6%	3.0%
Howmet	1.7%	1.3%
S&P 500	0.3%	-
DAX	0.4%	-

Abnormal: stock less beta times local index (betas: GEV 1.41, ENR 1.46, HWM 1.42).

Source: Yahoo Finance, K2 Capital.

Exhibit 3 - Claims, Checked

Claim in the brief	Verdict	What the record shows (sources on or before 29 Oct 2026)
SpaceX's CEO is building factories to cast turbine blades	**Partly**	Said so on 29 Aug and on the 20 Oct call; job adverts for a Bastrop blades and vanes foundry. No SEC filing mentions it, the only Bastrop air permit found covers aluminium furnaces, and no capacity or start date has been given.
GE Vernova's earnings shocked the market	**No**	Beat and raised; shares -1.9% on the day, within the normal range of its results days. The surprise was gas signings of 11 GW against 20 GW.
Gas turbines are sold out until 2032	**Overstated**	GE Vernova sold some 2032 slots and in July expected to be mostly sold out through 2030 by year-end. Siemens Energy is booked to FY28. Howmet's customers call 2031 sold out.
Politicians won't allow grid power	**Not as stated**	The constraint is the queue: a median 61 months from request to operation (LBNL, 2026), plus state-level resistance to new data centres that GE Vernova's CEO flagged in May.
Renewables are unreliable	**Opinion**	SpaceX's CEO himself frames gas as a way to supplement and bootstrap solar for several years.
Nobody wants nuclear	**False**	Meta signed for up to 6.6 GW of nuclear by 2035 in January 2026; Microsoft, Google and Amazon have nuclear deals. Nuclear arrives in the 2030s; gas is the bridge.
The main bottleneck is the blades	**Largely right**	Siemens Energy, Wood Mackenzie, EPRI and BNEF all list blades and vanes; EPRI and BNEF add forgings, generators and labour.
SpaceX could cast blades and buy the rest	**Plausible**	Howmet's CEO understands one Asian turbine maker has agreed to supply turbines without blades; EPRI reports frames shipped without rotors or blades.
Easier said than done	**Right**	Qualification is part by part and plant by plant; even the incumbent needs about two years for new capacity, and a greenfield plant three to five (Exhibit 11).

Source: Company releases and calls, SEC EDGAR, TCEQ, LBNL, Wood Mackenzie, EPRI, BNEF, AI Business, Parameter (May remarks), K2 Capital. Promotional lines in the brief are excluded.

Orders doubled; capacity did not

Global gas turbine orders went from 43.6 GW in 2023 to 57.4 GW in 2024 and 100.3 GW in 2025. The first half of 2026 added 67.5 GW, including a record 38 GW in the second quarter. Manufacturing capacity is 60 to 70 GW a year (Wood Mackenzie); BNEF puts it at 67 GW, rising to 102 GW a year by 2030 (Exhibit 6).

Lead times have stretched to five years

BNEF puts combined-cycle lead times at 5 years in 2025, up from 3.5 years in 2023; EPRI quotes about 5 years for large turbines and 18 to 36 months for small ones; Wood Mackenzie quotes six. Siemens Energy's CFO says "three years or more", and Börsen-Zeitung reports reservation fees of 10% to 15% of order value to hold a slot for six months.

Two OEMs hold six years of output

GE Vernova (122 GW at September) and Siemens Energy (95 GW at June) hold 217 GW of backlog and reservations against 35.5 GW a year of current production (GE Vernova's 20 GW annualised rate, Siemens Energy's 2026 deliveries). Both publish a capacity path: 20 GW rising to 30 GW by 2030 at GE Vernova, and 15 to 16 GW rising to about 30 GW at Siemens Energy. We project their combined book under three signing paths (Exhibit 4). In our base case signings fall to 85 GW in 2027, near the third-quarter pace, and to 55 GW by 2030; cover stays around 5.2 years. In the bear case signings drop to 50 GW in 2027 and 40 GW a year after, and a fifth of reservations lapse; cover still ends 2030 at 3.2 years, about the 3.5-year combined-cycle lead time of 2023.

The risk is price, not volume

Slots stay scarce in every path, so 2027 and 2028 volumes are set by capacity. What changes is the price of new orders once lead times shorten. Wood Mackenzie expects about $600 per kW by end-2027, nearly three times 2019. With lead times of five years, we infer that much of GE Vernova's 2026 book, priced about 50% above 2025, delivers after 2028, so 2028 earnings mainly reflect earlier pricing (aeroderivatives ship first). That is why our 2028 EPS for GE Vernova sits below consensus.

Demand: the grid queue sends data centres to gas

The US interconnection queue takes a median 61 months from request to operation (LBNL). Cleanview counts about 90 GW of planned behind-the-meter data-centre capacity, of which only about 2 GW is running; where the equipment is identifiable, about three-quarters is gas. Data centres are about 20% of GE Vernova's gas customers and about a quarter of Siemens Energy's gas backlog.

Exhibit 4 - Backlog and Cover

GW	Book	Firm	Rate	Cover
GE Vernova	**122**	**64**	**20**	**6.1**
Siemens Energy	95	69	15.5	6.1
Mitsubishi	35	35	n/d	n/d

GEV + ENR	2027	2028	2029	2030
Bull: signings	110	100	90	80
Base: signings	85	70	60	55
Bear: signings	50	40	40	40
Capacity	**40**	**47**	**53**	**60**
Bull: cover, yrs	6.6	6.8	6.7	7.0
Base: cover, yrs	**6.0**	**5.8**	**5.2**	**5.2**
Bear: cover, yrs	4.9	4.2	3.5	3.2

Book: backlog plus reservations. Rate: GEV annualised production, ENR 2026 deliveries. Cover now: book over rate. Projection: year-end book over next-year capacity; bear also lapses 20% of reservations. MHI publishes no GW capacity.

Source: Company reports, K2 Capital estimates.

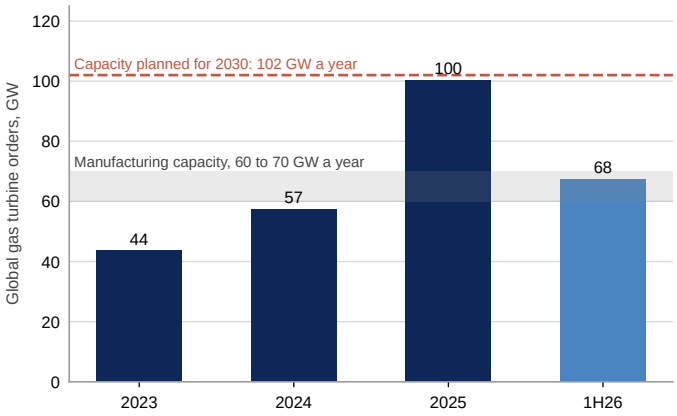
Exhibit 5 - Price and Lead Times

Signal	Value
Turbine price, 2019 (implied)	$203/kW
Turbine price, end-2027 (WoodMac)	**$600/kW**
GEV 2026 orders vs 2025, per kW	+50%
GEV 3Q26 orders vs 4Q25	>+20%
Combined-cycle lead time, 2023	3.5 yrs
Combined-cycle lead time, 2025	5.0 yrs
Slot reservation fee (6 months)	10-15%

2019 implied from WoodMac's +195%.

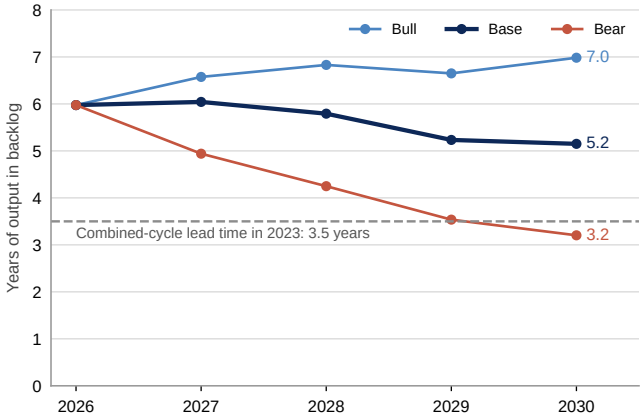
Source: Wood Mackenzie, GE Vernova, BNEF, Siemens Energy via Börsen-Zeitung.

Exhibit 6 - Orders Against Capacity



Source: McCoy via MHI, SecondWatt, S&P Global, JPMorgan via Bloomberg, Wood Mackenzie, BNEF.

Exhibit 7 - Years of Output Booked, GEV + ENR



Source: Company reports, BNEF, K2 Capital estimates.

Four casters, one leader

Doncasters, which listed in New York in June 2026 as DPC, names four globally scaled casters in its prospectus: Howmet, PCC (Berkshire Hathaway), CPP and itself. Howmet says it has more than 50% of the world market for industrial turbine blades. Its CEO says the market splits about evenly between equiaxed and directionally solidified blades, with single-crystal parts under 5%, against press reports that every blade is single crystal.

Howmet's gas business is growing at 40%

Gas turbine revenue was $954m in the first nine months of 2026, +41%, and $349m in the third quarter, +45% (Exhibit 8). We estimate $1.33bn for 2026, 12.9% of group revenue. Howmet now expects to double its 2025 gas revenue in three years, about $1.9bn by 2028 on our maths, and "maybe" 2.5 times within five years.

New capacity takes two years even for the leader

Howmet's CEO said in August that capacity committed then would produce from August 2028 at the earliest; the expansions already under way land in 2028 to 2030, and some coating equipment has a three-year lead time. DPC says certification takes more than a year and OEM approvals "often" take years. GE Vernova's step to 24 GW in 2028 relies on castings arriving in 2027.

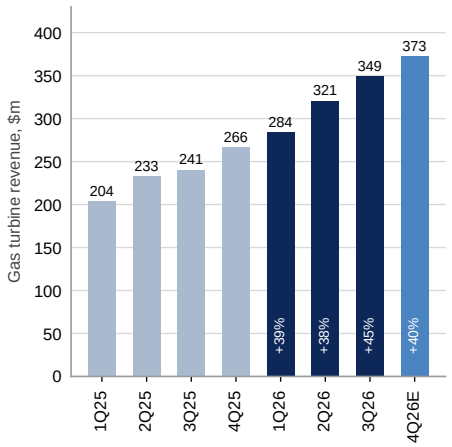
The blade is cheap relative to the delay

Howmet's 2026 gas revenue equals $20 per kW of the 67 GW the industry can build this year. At a 50% share that is about $40 per kW for the market, an upper bound because it includes spares: Siemens Energy says service uses around 70% of blades and vanes. New-build castings are nearer $12 per kW, 2.0% of Wood Mackenzie's $600 per kW turbine; the upper bound is 6.6%, and still about 10% at $400 per kW (Exhibit 10). A 20% rise in casting prices would lift the turbine price by 0.4% to 1.3%, against the roughly 50% GE Vernova added in a year. Thunder Said Energy puts finished blades at about 30% of turbine cost, so the caster captures a small part of the value its part gates. Doncasters is writing double-digit increases into renewed contracts.

Who is exposed

The OEMs source blades differently (Exhibit 9). GE Vernova buys castings for each capacity step. Siemens Energy says it has framework agreements into the 2030s and multi-sources every key component. Mitsubishi Heavy has cast in-house since 1999. GE Aerospace's purchase of CPP for $11.75bn, closing in the second half of 2027, puts one of the four casters inside an aero engine maker.

Exhibit 8 - Howmet Gas Turbines



2025 quarters derived from reported growth; 4Q26E assumes +40%.

Source: Howmet 10-K and 10-Qs, K2 Capital.

Exhibit 9 - How OEMs Source Blades

OEM	Blade route
GE Vernova	External casters incl. Howmet; castings for the 2028 step arrive in 2027
Siemens Energy	Framework agreements into the 2030s; all key parts multi-sourced; adding blade and vane capacity in Florida
Mitsubishi	In-house precision caster since 1999, plus outside suppliers incl. Howmet
Doosan	Developing blade casting with HD Hyundai since May 2025; no qualified output reported
SpaceX	Buys turbines (Solar Titan, LM6000) with Howmet blades, per Howmet; plans its own

Source: Company calls and releases, Howmet, Turbomachinery Mag.

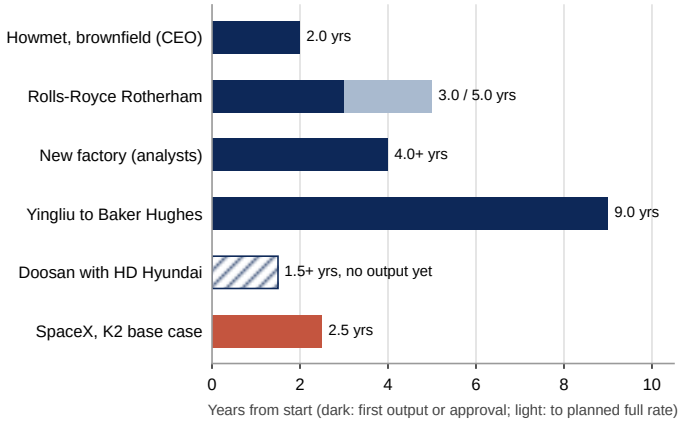
Exhibit 10 - Castings Are a Small Share of the Price

Casting economics, 2026	Value
Howmet gas turbine revenue incl. spares (K2)	**$1.33bn**
Industry build capacity, GW (BNEF)	67
Market casting revenue per kW, upper bound	$39.6
Blades and vanes used by service	70%
New-build casting revenue per kW (K2)	**$11.9**
Turbine price per kW (WoodMac, end-2027)	$600
Castings as % of turbine price	**2.0% to 6.6%**
Turbine price effect of +20% on castings	0.4% to 1.3%
GE Vernova gas order price, 2026 vs 2025	**50%**

Upper bound: Howmet revenue over BNEF capacity at a 50% share. New-build: upper bound less the 70% service share, assuming revenue splits like volume.

Source: Howmet, BNEF, Wood Mackenzie, Siemens Energy, GE Vernova, K2 Capital estimates.

Exhibit 11 - New Casting Capacity Takes Years



Rolls-Royce full rate is the 2015 plan. Doosan: agreement May 2025, no qualified output reported.

Source: Foundry Mag, Howmet, Quartz, Wedoany, Turbomachinery Mag, K2 Capital.

Exhibit 12 - SpaceX Foundry Credibility Test

Test	Verdict	Evidence (on or before 29 Oct 2026)
Stated intent and hiring	**Pass**	Posts on 29 Aug and the 20 Oct call ("we're casting the blades and vanes"); adverts for materials, automation and operations roles at a Bastrop blades and vanes foundry.
Relevant know-how	**Partial**	SX500 superalloy (2018) and Raptor turbopump castings. Large industrial blades are bigger parts and mostly equiaxed or directionally solidified.
Site and permits	**Fail**	About 830 acres bought near Bastrop in March to June 2026. The only SpaceX air permit found there is TCEQ 182733, filed 16 Jan 2026, for aluminium furnaces.
Furnaces and coating lines	**Fail**	No public vacuum-furnace orders. Analysts quote more than two years to procure furnaces; Howmet quotes three years for some coating equipment.
Disclosure	**Fail**	No mention of a foundry, castings, blades or vanes in the S-1, 424B4, both 10-Qs or 8-Ks to 26 Oct 2026.
OEM qualification	**Partial**	Approval is part by part and plant by plant. No OEM partner named; Howmet's CEO says one Asian OEM agreed to supply turbines without blades.
Timeline against precedent	**Fail**	Claim: power 12 to 18 months sooner. Howmet needs about two years for brownfield capacity; Rolls-Royce took three years to open and five to reach full rate.
Scale against need	**Partial**	20 GW a year is 30% of the world's build capacity and 60% of the volume Howmet's share implies. A 3 to 4 GW bridge is 4% to 6% of world capacity.

Source: SpaceX SEC filings, TCEQ, job adverts via ZipRecruiter and Thrive, The Information via TechCrunch, Quartz, Howmet, Foundry Mag.

Credible intent, no capacity yet

SpaceX's CEO says suppliers can deliver everything but the blades and vanes 12 to 18 months before the blades, and that SpaceX's rocket casting capability lets it close that gap. SpaceX's own filings are silent: the S-1 describes heavy reliance on gas turbines, a $2.0bn purchase of mobile turbines and $925m of turbine contracts delivering to 2029, but no foundry. It passes one of our eight tests outright, three in part and fails four (Exhibit 12). Our base case is first qualified blades in the second half of 2028 at the earliest, captive to SpaceX's own turbines.

Scale is the larger problem. SpaceX aims for 20 GW of incremental power in 2027. Blade sets for that much are 30% of the world's annual build capacity and about 60% of the 33.5 GW Howmet's share implies, to be built from nothing in 14 months. The 3 to 4 GW bridge Morgan Stanley estimates SpaceX can buy by end-2027 is plausible for a captive shop, and it is small: $36m to $79m a year of Howmet revenue (new-build only to spares included), 0.3% to 0.8% of the group (Exhibit 13).

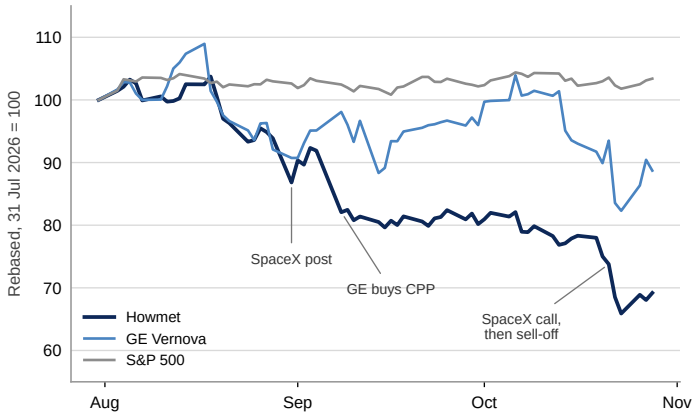
The market priced more than that. Howmet fell 7.5% on 31 August, $7.9bn of market value, against about $0.5bn for the upper-bound bridge revenue capitalised at a 33% EBITDA margin and 20 times. It fell a further 10.7% when GE Aerospace agreed to buy CPP on 8 September, and kept falling: an abnormal -27% from 28 August to 28 October, while GE Vernova fell 4% (Exhibit 14).

Exhibit 13 - What SpaceX Would Need

SpaceX scale test	Value
20 GW as % of world build capacity	**30%**
20 GW as % of Howmet's implied volume	60%
New-build castings for 20 GW a year	$0.24bn
3 to 4 GW bridge, % of world capacity	**4% to 6%**
Howmet revenue at risk	$36m to $79m
As % of Howmet 2026 revenue	0.3% to 0.8%
Value lost on 31 Aug	**$7.9bn**
Value of bridge revenue, upper bound	**$0.5bn**

Source: Howmet, BNEF, Morgan Stanley via BigGo, Yahoo Finance, K2 Capital estimates.

Exhibit 14 - Howmet Through the Headlines



Source: Yahoo Finance, K2 Capital.

Exhibit 15 - Valuation, Like for Like

Like for like	GE Vernova	Siemens Energy	Mitsubishi Heavy	Howmet
Price (local)	$878.03	€133.26	¥3,550	$195.19
Market value ($bn)	231.2	125.9	75.5	77.6
Enterprise value ($bn)	**217.2**	**117.3**	**68.1**	**81.6**
Net cash, local bn	13.9	7.7	1,164	(3.9)
P/E, consensus FY26	58.4x	30.2x	27.1x	35.6x
P/E, consensus FY27	35.8x	21.2x	23.4x	30.0x
P/E, K2 FY27	35.1x	21.2x	24.3x	29.8x
P/E, K2 calendar 2028	**25.8x**	**17.3x**	**22.4x**	**25.3x**
K2 EPS growth a year, FY26 to FY28	46%	28%	14%	18%
FCF yield, FY26 guidance	7.1%	7.1%	5.0%	2.6%
Gas backlog and reservations, GW	122	95	35	-
EV per GW of gas book ($bn)	1.78	1.23	1.95	-
Share price, 2026 to date	35%	11%	(7%)	(5%)
From 2026 closing high	(25%)	(29%)	(31%)	(33%)
Consensus PT, upside	$1,165, 33%	€194, 45%	¥5,451, 54%	$313, 60%
K2 PT (Dec-27), total return	**$925, 6%**	**€150, 13%**	**¥3,100, (11%)**	**$238, 22%**

Prices at 28-Oct-26. GEV consensus bases differ: MarketBeat adjusted (2026, PT 23 Oct), MarketScreener reported (2027, 22 Oct), TIKR normalised (2028, 22 Oct); K2 GEV EPS excludes one-off gains. HWM PT MarketBeat 4 Oct. MarketScreener P/E-implied (GEV 2027 22 Oct, ENR 23 Oct, MHI 5 Oct, HWM 1 Sep). FY: Dec (GEV, HWM), Sep (ENR), Mar of following year (MHI). FCF: GEV $16.5bn midpoint, ENR €8bn pre-tax, MHI ¥600bn, HWM $2.0bn. MHI net cash in ¥bn.

Source: Company filings, Yahoo Finance, MarketBeat, MarketScreener, TIKR, K2 Capital estimates.

Exhibit 16 - Select Financials, Latest Reported Quarter

Latest Quarter and Guidance (local currency)

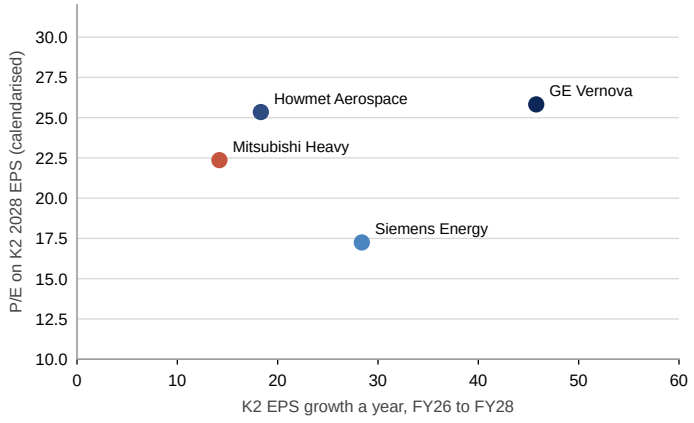
	GE Vernova 3Q26	Siemens Energy FQ3	Mitsubishi Heavy Q1	Howmet 3Q26
Revenue	$12,642m	€11,447m	¥1,194.2bn	$2,703m
% growth	*27%*	*18.5% (comparable)*	*15.5%*	*29%*
Margin measure	Adj. EBITDA 15.4%	Pre-special profit 14.2%	Business profit 13.4%	Adj. EBITDA 32.5%
Gas segment	Power margin 21.4%	Gas Services 17.3%	GTCC orders ¥930bn	Gas turbines +45%
EPS	$4.81 (GAAP)	€1.28	¥40.08	$1.46 (adjusted)
Free cash flow	$5,409m	€2,319m (pre-tax)	¥391.5bn	$562m
FY guidance	Revenue $46.5-47.5bn	Net income ~€4bn	Net income ¥380bn	EPS $5.50
Backlog	$197bn; gas 122 GW	€162bn; gas ~69 GW firm	>¥14tn; 35 GW	Not reported

Source: Company reports. GE Vernova and Howmet 3Q26 (Howmet reported on 29 Oct); Siemens Energy quarter to June; Mitsubishi Heavy quarter to June.

Siemens Energy is the discount; Howmet has de-rated

On our 2028 earnings Siemens Energy trades at 17.3x, a 33% discount to GE Vernova at 25.8x, while growing EPS 28% a year against 46%. Per GW of gas book its enterprise value is $1.23bn against $1.78bn; both groups also own grid businesses and loss-making wind arms, so mix explains less of the gap than it seems. Howmet trades at 29.8x our 2027 EPS, against 45x consensus at the August high and 30x now: a de-rating of 15 turns in ten weeks. On 29 October Howmet raised its 2026 EPS guidance again, to $5.50. Mitsubishi Heavy is the expensive one for its growth: 22.4x 2028 for 14% EPS growth, with consensus 16% above its own guidance (Exhibit 17).

Exhibit 17 - P/E Against Growth



Source: K2 Capital estimates.

Exhibit 18 - Event Study: Results Days, April 2024 to October 2026

Abnormal return: mean (t-stat)	n	Days -5 to -1	Day 0	+1 to +5	+1 to +20	+1 to +60	Day 0 positive
All results	**39**	**+0.9% (1.2)**	**+3.6% (3.3)**	**+0.4% (0.5)**	**+0.3% (0.2)**	**+11.2% (3.1)**	**27 of 39**
Guidance raised	24	+0.8% (1.0)	+4.2% (2.8)	+0.3% (0.4)	+0.1% (0.0)	+10.8% (2.2)	16 of 24
Reaffirmed or new guidance	15	+1.1% (0.7)	+2.6% (1.7)	+0.6% (0.4)	+0.7% (0.2)	+11.7% (2.3)	11 of 15
Investor days	3	+3.8% (1.4)	+6.9% (1.8)	-5.2% (-1.6)	-0.7% (-0.1)	+17.3% (1.6)	3 of 3
GE Vernova results	**11**	**+0.2% (0.1)**	**+2.1% (1.1)**	**+0.2% (0.1)**	**+4.2% (0.9)**	**+18.5% (2.0)**	**7 of 11**
Siemens Energy results	**10**	**+1.2% (0.8)**	**+7.0% (3.3)**	**+0.7% (0.5)**	**-2.0% (-1.0)**	**+14.5% (2.2)**	**9 of 10**
Mitsubishi Heavy results	**9**	**-1.0% (-0.7)**	**+1.0% (0.4)**	**-0.2% (-0.2)**	**-0.4% (-0.1)**	**+3.5% (0.5)**	**5 of 9**
Howmet results	**9**	**+3.2% (3.2)**	**+4.1% (2.0)**	**+1.1% (1.0)**	**-0.7% (-0.3)**	**+5.7% (1.6)**	**6 of 9**

Abnormal return = stock return less 2-year weekly beta times local index (S&P 500, DAX, TOPIX). Day 0 = first session able to react; Mitsubishi Heavy releases at 13:30 Tokyo, so its day 0 spans two sessions. Howmet's 29 Oct results fall after our price cutoff and are excluded.

Source: Company releases and exchange filings, Yahoo Finance, K2 Capital calculations.

Results days pay; the weeks after no longer do

Across 39 results since April 2024 the four stocks beat their markets by 3.6% on day 0 (t 3.3; 27 of 39 positive). Days +1 to +20 add nothing. Days +1 to +60 average +11.2%, but that is the 2025 rally: the 30 events before April 2026 averaged +15.8% (23 positive), the 6 since averaged -11.7% (Exhibit 21).

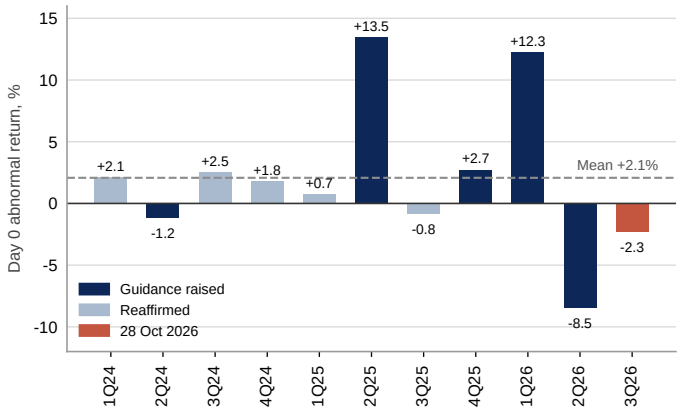
Siemens Energy has the best results record, Mitsubishi the worst

Siemens Energy beat the DAX by 7.0% on its results days (t 3.3; 9 of 10 positive). Mitsubishi Heavy managed +1.0% over its two-session window (t 0.4), and its median days +1 to +20 return is -5.3%. Howmet tends to rise into results: +3.2% in the five prior sessions, 8 of 9 positive (t 3.2).

GE Vernova's results move Siemens Energy, not Howmet

On GE Vernova's 13 results and investor days, Siemens Energy moved the same way 10 times with a correlation of 0.78 (Exhibit 20). Howmet's correlation was -0.33. The market still trades Howmet as an aerospace stock; its gas business shows up in neither its reaction to the OEMs nor its multiple.

Exhibit 19 - GE Vernova Results Days



Source: GE Vernova, Yahoo Finance, K2 Capital.

Exhibit 20 - Spillover on GE Vernova's Days

On GE Vernova's day 0	Corr.	Beta	Same sign	Mean
Siemens Energy	**0.78**	**0.42**	**10 of 13**	**+1.5%**
Howmet	-0.33	-0.09	7 of 13	-0.2%
Mitsubishi Heavy	0.08	0.04	9 of 12	+1.7%

13 GE Vernova events incl. two investor days; Mitsubishi Heavy measured on the next Tokyo session (12 events).

Source: K2 Capital calculations.

Exhibit 21 - The Post-Results Drift Has Reversed

Results event	Day 0	+1 to +60
GE Vernova 1Q26 (22-Apr)	12.3%	(10.3%)
GE Vernova 2Q26 (22-Jul)	(8.5%)	(10.6%)
Siemens Energy Q2 FY26 prelim (24-Apr)	2.8%	(23.0%)
Siemens Energy Q3 FY26 (05-Aug)	0.4%	(9.3%)
Mitsubishi FY25 (12-May)	(2.8%)	(15.3%)
Howmet 1Q26 (07-May)	6.8%	(1.9%)
Since April 2026, mean (6)		**(11.7%)**
Before April 2026, mean (30)		**15.8%**

Abnormal returns. Only events with a full 60-session window before 28 Oct.

Source: K2 Capital calculations.

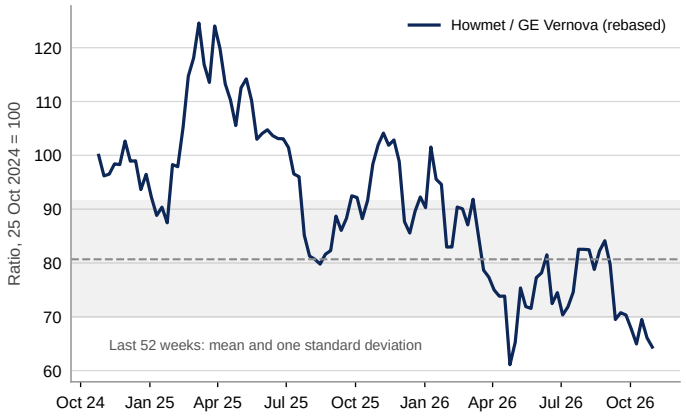
Exhibit 22 - Pair Statistics

Weekly, 2 years to 28 Oct	HWM / GEV	ENR / GEV
Correlation	0.52	0.57
26-week correlation, low	0.06	0.38
26-week correlation, high	0.81	0.79
Volatility, long leg	36%	44%
Volatility, GE Vernova	46%	46%
Hedge ratio (beta)	**0.41**	**0.55**
Pair volatility, beta-hedged	31%	37%
Maximum drawdown	(30%)	(31%)
Price ratio, 12-month change	(37%)	(20%)
Ratio vs 52-week mean, z-score	**-1.6**	**-1.1**

USD returns. Hedge ratio: beta of the long leg on GE Vernova.

Source: Yahoo Finance, K2 Capital calculations.

Exhibit 23 - Howmet Against GE Vernova



Source: Yahoo Finance, K2 Capital.

Exhibit 24 - Headline Study: Day 0 Abnormal Returns

Headline (day 0)	GEV	ENR	MHI	HWM	HWM +1 to +5
SpaceX casting post (31 Aug)	**(1.0%)**	**(3.3%)**	**(3.9%)**	**(7.0%)**	**(5.2%)**
GE Aerospace buys CPP (8 Sep)	**3.9%**	**0.2%**	**3.1%**	**(9.9%)**	**(1.3%)**
SpaceX call (21 Oct)	**3.2%**	**0.6%**	**(0.4%)**	**(2.5%)**	**(6.0%)**
DeepSeek (27 Jan 2025)	(19.5%)	(19.2%)	(2.1%)	(1.8%)	3.9%
Inflation, AI financing (14 Oct)	(4.6%)	(5.7%)	0.3%	1.9%	(5.0%)
AI-infrastructure sell-off (22 Oct)	(8.9%)	(7.0%)	(0.4%)	(5.4%)	-

Day 0 by market: news during or after the US session counts from the next Xetra and Tokyo sessions. 21 Oct is the first session after SpaceX's 20 Oct call; 22 Oct had no single verified trigger.

Source: Yahoo Finance, TIKR, The Information via TechCrunch, GE Aerospace 8-K, K2 Capital calculations.

Exhibit 25 - Strategy Scorecard

Strategy	Evidence	Verdict
Long HWM / short GEV, hedge 0.41	Ratio down 37% in a year, z-score -1.6; correlation 0.52, pair volatility 31%, worst drawdown (30%). Howmet does not trade on GE Vernova's results (correlation -0.33), so the spread isolates the casting view.	**Implement**
Long ENR / short GEV, hedge 0.55	Siemens Energy at a 33% P/E discount on 2028; correlation 0.57 and steadier (0.38 to 0.79). Results on 11 Nov make it binary; size after the FY30 targets.	**Use selectively**
Buy HWM five sessions before results	+3.2% mean, 8 of 9 positive, t 3.2; nine events and next date not yet set.	**Use selectively**
Trade ENR on GEV's results day	Beta 0.42, correlation 0.78, same sign 10 of 13; GE Vernova reports during the Xetra session.	**Use selectively**
Buy HWM on a caster headline	Further losses over days +1 to +5 after both clean headlines (-5.2%, -1.3%); the third window (-6.0%) includes the 22 Oct sell-off. Buy on fundamentals, not on the headline.	**Avoid**
Hold OEMs 60 days after results	+15.8% before April 2026, -11.7% since: the drift was the sector rally, not a repeatable effect.	**Avoid**

Verdicts: Implement, Use selectively, Avoid. Mirrored on the cover.

Source: K2 Capital.

Exhibit 26 - Pair Set-Up

Pair set-up, 28-Oct-26 close	Value
Long Howmet	$195.19
Short GE Vernova, per $1 of Howmet	$0.41
K2 total return to PT: Howmet / GE Vernova	22.3% / 5.6%
Expected spread at our PTs	**20.0%**
Ratio back to 52-week mean	25.4%
Pair volatility, a year	31%
Stop: ratio falls further by	**15%**

Source: Yahoo Finance, K2 Capital estimates.

Why the pair, and why now

Both legs sell into the same gas cycle, but Howmet sells the scarce input and has been priced as if SpaceX and GE Aerospace broke its moat. Our PTs imply a 20% spread for the beta-hedged pair over 14 months; the price ratio would have to rise 25% just to regain its 52-week mean. The spread is volatile (31% a year, worst drawdown 30%), so we size at half weight with a stop at a further 15% fall in the ratio. Howmet's results on 29 October, after our price cutoff, beat consensus and raised guidance.

Price Target Calculation and Key Risks

Dec-27 PTs apply a target P/E to our calendar 2028 EPS (Siemens Energy and Mitsubishi Heavy calendarised). Scenarios are weighted base 50%, bull 20%, bear 30%. Ratings compare each total return with the coverage average of 7.5%; within 5 points either side is Neutral. Scenarios: **bull**, signings hold near 2026's pace and pricing keeps rising; **base**, signings fall to 85 GW for GE Vernova and Siemens Energy in 2027 and pricing flattens; **bear**, an AI capex pause cuts signings to 50 GW in 2027 and 40 GW a year after, a fifth of reservations lapse and new casters win share from 2028.

Howmet Aerospace (HWM US): Overweight, PT $238

Investment Thesis

Howmet holds the largest share of the bottleneck: more than half of industrial blade casting, long-term agreements with all seven major customers and capacity that takes two years to add. It is 33% off its August high: 9.5% before any headline, then on headlines that risk under 1% of revenue, then 15.9% in the October sell-off.

Base Case/PT

2026 EPS $5.50 (guidance), 2027 $6.55 on revenue of about $11.5bn, 2028 $7.70 with gas turbine revenue near $1.9bn. At 32x, about two turns above today's 29.8x next-year (2027) multiple as the casting risk fades, value is $246. Net debt is $3.94bn on 397.7m shares.

Bull Case/PT

$8.39 as gas turbines reach 2.5 times 2025 sooner and casting prices step up; 38x, below the 45x next-year multiple at the August high: $319.

Bear Case/PT

$6.78 if aero destocking meets new casters in gas from 2028; 25x: $169.

Risks

Downside: (1) GE Aerospace in-sources castings after buying CPP; (2) SpaceX or a turbine maker qualifies blades faster than precedent; (3) an aero engine production cut; (4) hafnium and nickel costs outrun contract pass-through.

Siemens Energy (ENR GY): Overweight, PT €150

Investment Thesis

The same scarcity as GE Vernova at a 33% lower multiple: 95 GW of gas commitments, booked to FY28, pricing that "has not come down", blade supply agreements into the 2030s and a buyback of up to €6bn to FY28.

Base Case/PT

FY26 EPS €4.55, FY27 €6.30, FY28 €7.50; calendar 2028 €7.72. At 21x, in line with today's 21.2x next-year (FY27 consensus) multiple and about a quarter below our GE Vernova multiple, value is €162. Adjusted net cash €7.72bn.

Bull Case/PT

€8.65 as wind losses narrow and FY30 targets lift margins; 25x: €216.

Bear Case/PT

€6.18 on a gas order slowdown and further wind charges; 14x: €87.

Risks

Downside: (1) new wind quality charges; (2) FQ4 orders below the first three quarters, as guided, read as a peak; (3) euro strength against the dollar; (4) a weak FY27 outlook on 11 November.

GE Vernova (GEV US): Neutral, PT $925

Investment Thesis

The strongest franchise: 122 GW of gas book, about 50% higher 2026 pricing and free cash flow guidance of $16bn to $17bn. At 35.1x our 2027 EPS the stock already prices this. Signings are slowing, the fourth-quarter price per kW will fall on mix, and we expect most of the 2026 pricing to reach earnings after 2028.

Base Case/PT

Adjusted EPS, excluding the Prolec GE gain: 2026 $16.00, 2027 $25.00, 2028 $34.00, 6% below the $36.19 consensus. At 29x, against about 42 times next-twelve-month EPS at the 20 October close (TIKR), value is $986. Net cash $13.9bn before the $9.0bn Trench purchase.

Bull Case/PT

$39.10 as 2026 pricing lands earlier and wind breaks even; 35x: $1,368.

Bear Case/PT

$26.52 if reservations lapse and the price of new slots falls; 20x: $530.

Risks

Upside: (1) a 2030 framework at the Capital Markets Day above consensus; (2) faster capacity steps if castings arrive early. Downside: (1) wind losses and litigation; (2) GE Aerospace favouring its own engines at CPP.

Exhibit 27 - Price Target Scenarios (Dec-27, on Calendar 2028 EPS)

Dec-27 PT	Bull EPS	Bull P/E	Base EPS	Base P/E	Bear EPS	Bear P/E	Weighted	PT	Return	Rating
Howmet Aerospace	**$8.39**	**38x**	**$7.70**	**32x**	**$6.78**	**25x**	**$238**	**$238**	**22%**	**OW**
Siemens Energy	**€8.65**	**25x**	**€7.72**	**21x**	**€6.18**	**14x**	**€150**	**€150**	**13%**	**OW**
GE Vernova	$39.10	35x	$34.00	29x	$26.52	20x	$926	$925	6%	N
Mitsubishi Heavy	**¥175**	**26x**	**¥159**	**20x**	**¥135**	**15x**	**¥3,103**	**¥3,100**	**(11%)**	**UW**
Coverage average									**7.5%**	

Source: K2 Capital estimates. Return includes K2-assumed dividends to Dec-27: GEV $2.50, ENR €1.00, MHI ¥45, HWM $0.75. Weights: base 50%, bull 20%, bear 30%.

Exhibit 28 - Sensitivity of the Base Case

Base value vs price	-4 turns	-2 turns	Base P/E	+2 turns	+4 turns	EPS -10%	EPS +10%
Howmet Aerospace	10%	18%	26%	34%	42%	14%	39%
Siemens Energy	(1%)	10%	22%	33%	45%	10%	34%
GE Vernova	(3%)	5%	12%	20%	28%	1%	24%
Mitsubishi Heavy	(28%)	(20%)	(11%)	(2%)	7%	(20%)	(2%)

Return from the 28-Oct-26 price to base-case value, before dividends.

Source: K2 Capital estimates.

Mitsubishi Heavy (7011 JT): Underweight, PT ¥3,100

Investment Thesis

Mitsubishi is the most cautious of the three on capacity, telling investors it is not "immediately seeking to book twice as many orders". It has the weakest results-day record in our study, and consensus FY3/27 EPS of ¥131 sits 16% above guidance of ¥113.09.

Base Case/PT

FY3/27 EPS ¥125, FY3/28 ¥146, FY3/29 ¥163; calendar 2028 ¥159. At 20x, a turn below Siemens Energy for half its EPS growth, value is ¥3,175. Net cash ¥1,164bn on 3,360.7m shares.

Bull Case/PT

¥175 on faster capacity and defence orders; 26x: ¥4,540.

Bear Case/PT

¥135 if steam and nuclear charges recur; 15x: ¥2,024.

Risks

Upside: (1) a guidance raise at first-half results towards consensus; (2) larger Japanese defence budgets; (3) a weaker yen; (4) earliest slots win premium orders.

SpaceX (SPCX US): Underweight, PT $90, unchanged

Our rating and PT are from our 28 October neocloud note and are unchanged. The foundry test above does not change them: the 2027 power plan rests on bought-in turbines, and in-house blades are a 2028 event at the earliest. Price $145.23.

Sector Risks

(1) **An AI capex pause.** On the DeepSeek day, 27 January 2025, GE Vernova and Siemens Energy both fell about 19% more than their markets implied; a repeat would hit the OEMs harder than Howmet. (2) **Reservations lapse.** GE Vernova holds 58 GW and Siemens Energy 26 GW of reservations that customers can walk away from, forfeiting fees. (3) **Input costs.** Hafnium has risen from about $5,000 per kg to $12,500 to $13,000 per kg; casters say they pass it through, but contracts reset with a lag. (4) **Permits.** SpaceX's Memphis and Southaven sites face permit expiries and a Clean Air Act suit, a reminder that behind-the-meter gas has local limits.

Exhibit 29 - Other Names in the Chain (Not Rated)

Name	Role	2026 to date	From 2026 high	22 Oct
Doosan Enerbility	Gas turbine OEM (Korea)	(18%)	(55%)	(3.0%)
Baker Hughes	Aeroderivative and NovaLT turbines	21%	(21%)	(4.3%)
Caterpillar	Solar Turbines, gensets	26%	(33%)	(4.9%)
Bloom Energy	Fuel cells, behind the meter	162%	(34%)	(8.7%)
GE Aerospace	Buying CPP (castings)	(2%)	(21%)	(0.8%)
Rolls-Royce	Aero engines, own SX blade plant	10%	(20%)	(5.1%)
Carpenter Technology	Superalloys	(11%)	(55%)	(20.6%)
ATI	Superalloys, forgings	44%	(29%)	(10.4%)

Source: Yahoo Finance, company releases. Closes to 28-Oct-26.

The rest of the chain fell too

The sell-off was not about one company. Doosan Enerbility, the Korean OEM supplying five 380 MW turbines to SpaceX, is 55% below its 2026 high. Carpenter Technology, a superalloy supplier, fell 21% on 22 October after a revenue miss. Caterpillar, whose Solar Turbines powers SpaceX's Southaven site, is 33% off its high. We do not rate these names.

What Would Make Us Wrong?

We would revisit our ratings if any of the following occur:

1. **Howmet's gas turbine growth slows.** If gas turbine revenue grows less than 20% year on year in 4Q26 or 1Q27 (results due February and May 2027), the bottleneck is easing; we would cut Howmet to Neutral.
2. **SpaceX proves capacity.** If SpaceX files a casting-specific air permit, discloses foundry capacity or names an OEM approval in a filing before 31 December 2027, we would rerun the foundry test and raise the bear weight on Howmet to 40%.
3. **Signings fall below shipments.** If GE Vernova signs fewer gas GW than it ships (about 5 GW) in any quarter of 2027, cover has peaked; we would move both Siemens Energy and GE Vernova towards the bear case.
4. **Siemens Energy's targets disappoint.** If the FY27 outlook on 11 November implies EPS below the €6.30 consensus, we would cut Siemens Energy to Neutral and close the pair against GE Vernova.
5. **Mitsubishi Heavy closes the gap.** If first-half results in early November raise FY3/27 net income guidance to ¥420bn or more (our estimate), we would move to Neutral.
6. **The pair breaks.** If the Howmet / GE Vernova price ratio falls a further 15% from its 28 October level, about half a year's pair volatility, we would stop out and reassess.

Signposts

Dated catalysts scheduled on or before 29 October 2026, in order:

Early Nov 2026 Mitsubishi Heavy first-half FY26 results (date not yet announced; 7 Nov last year).

11 Nov 2026 Siemens Energy Q4 FY26, FY27 outlook and FY30 targets (7:00 CET).

2 Jan 2027 Shelby County permit for 15 permanent turbines at SpaceX's Memphis site expires.

January 2027 GE Vernova fourth-quarter results (date not yet announced), where it will set the date of a Capital Markets Day with 2030 guidance.

February 2027 Howmet fourth-quarter results (date not yet announced).

14 Jul 2027 Last temporary turbines at SpaceX's Southaven site must stop under the Mississippi order.

2H 2027 GE Aerospace expects to close its purchase of CPP; GE Vernova expects to close Trench late in 2027.

2028 GE Vernova's step to 24 GW a year; Howmet's current expansions begin to land (2028 to 2030).

Important Disclosures

Analyst Certification

The research analysts of K2 Capital Limited responsible for this report certify that (1) the views expressed in this report accurately reflect their personal views about the subject companies and their securities, and (2) no part of their compensation was, is or will be directly or indirectly related to the specific ratings or views expressed in this report.

Rating Definitions

Overweight: over the duration of the price target, we expect the stock to outperform the total return of the relevant benchmark, which in this report is the average total return of the four companies initiated in this report (Siemens Energy, GE Vernova, Mitsubishi Heavy and Howmet), with a band of five percentage points either side treated as in line. **Neutral:** we expect the stock to perform in line with it. **Underweight:** we expect the stock to underperform it. Price targets are set for the period stated and are based on the methodology and risks described in this report. Strategy verdicts: Implement (we expect the strategy to add value after costs), Use selectively (beneficial in defined circumstances only), Avoid (we do not expect it to add value after costs).

Rating Distribution

(As of October 29, 2026)	% of coverage	Companies
Overweight	40.00%	2
Neutral	20.00%	1
Underweight	40.00%	2

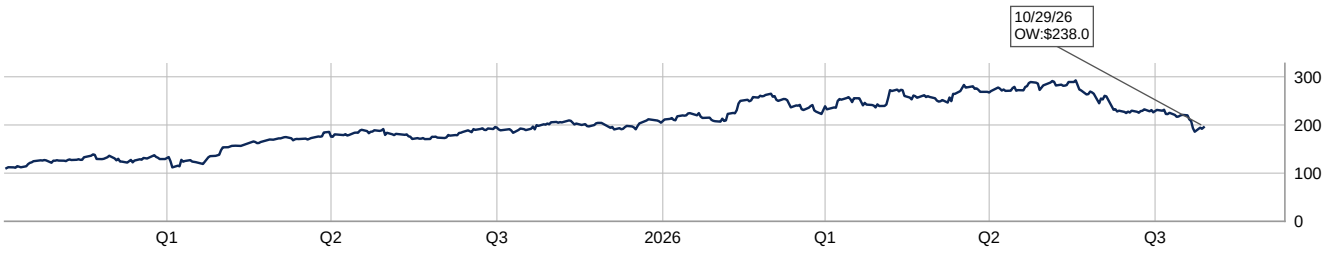
Rating History

Date	Company	Rating	Price	Price Target
29-Oct-26	Howmet Aerospace (HWM US)	Overweight (initiation)	$195.19	$238
29-Oct-26	Siemens Energy (ENR GY)	Overweight (initiation)	€133.26	€150
29-Oct-26	GE Vernova (GEV US)	Neutral (initiation)	$878.03	$925
29-Oct-26	Mitsubishi Heavy (7011 JT)	Underweight (initiation)	¥3,550	¥3,100
28-Oct-26	SpaceX (SPCX US)	Underweight (unchanged here)	$145.23	$90

Positions and Conflicts

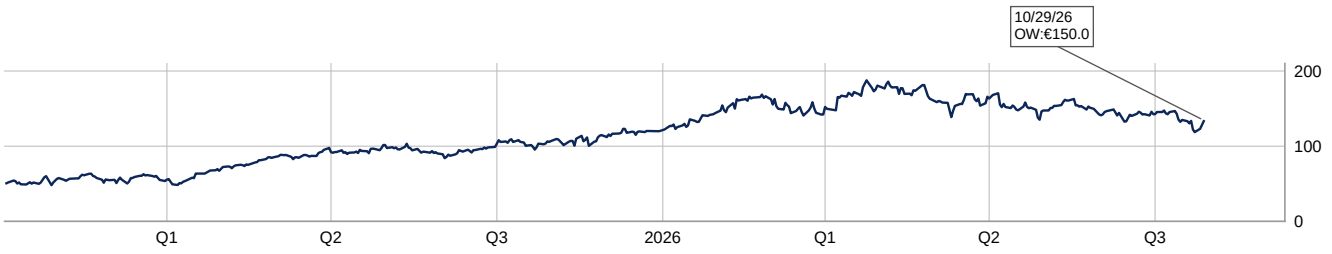
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Rating and Price Target History for: Howmet Aerospace (HWM US) as of 10-29-2026



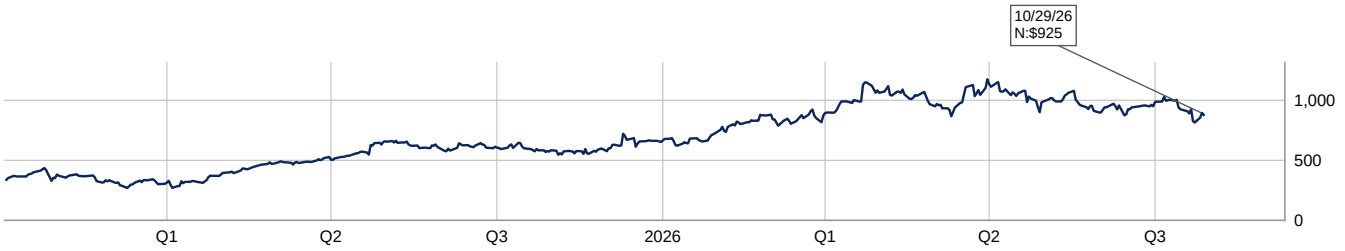
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Rating and Price Target History for: Siemens Energy (ENR GY) as of 10-29-2026



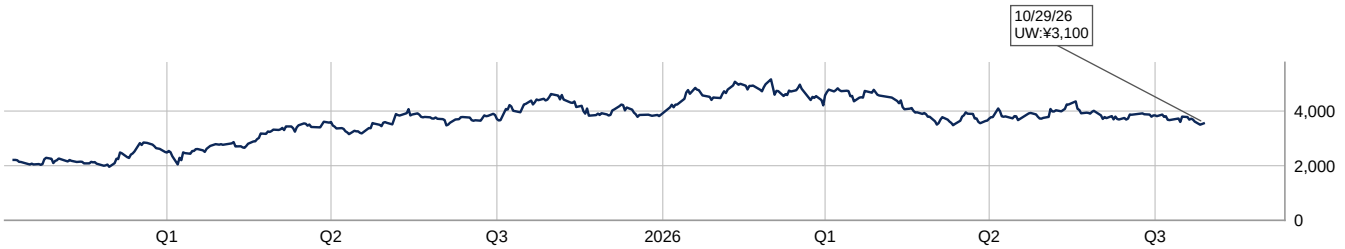
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Rating and Price Target History for: GE Vernova (GEV US) as of 10-29-2026



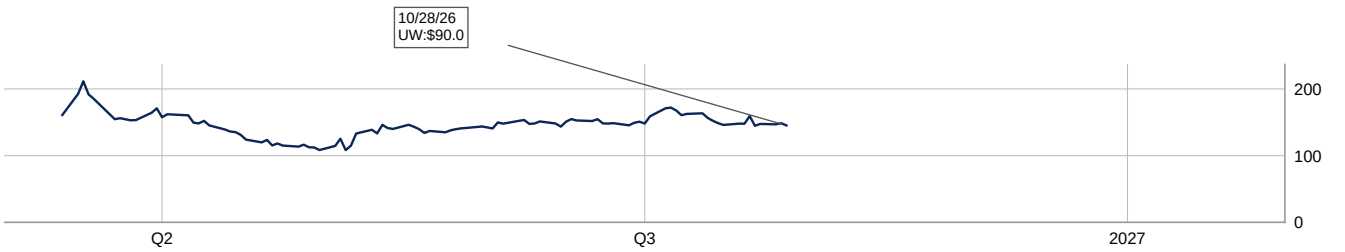
Created by: K2 Capital

Rating and Price Target History for: Mitsubishi Heavy Industries (7011 JT) as of 10-29-2026



Created by: K2 Capital

Rating and Price Target History for: SpaceX (SPCX US) as of 10-28-2026



Created by: K2 Capital

Sources and Methodology

Prices are closes on 28 October 2026 (Yahoo Finance, adjusted for dividends); no price after that date is used, and no source published after 29 October 2026. Company sources: GE Vernova 3Q26 release, 10-Q and call (28 Oct) and earlier releases; Siemens Energy Q3 FY26 release (5 Aug), pre-close call (30 Sep) and ad hoc statements; Mitsubishi Heavy Q1 FY26 results and Q&A (4 Aug) and gas turbine briefing (7 Oct 2025); Howmet 10-K, 10-Qs and 3Q26 release and call (29 Oct); SpaceX S-1, 424B4, 10-Qs, 8-Ks and 3Q26 call (20 Oct); DPC Holdings prospectus (26 Jun); GE Aerospace 8-K on CPP (8 Sep). Industry: Wood Mackenzie (1 Apr), EPRI via POWER and Utility Dive (Jan, Apr), BNEF (10 Sep, 22 Jul), McCoy via Mitsubishi Heavy, S&P Global, JPMorgan via Bloomberg and OilPrice (11 Aug), LBNL Queued Up 2026, Cleanview, Thunder Said Energy, SecondWatt, Börsen-Zeitung, Forced Futures, Wedoany, BigGo (Morgan Stanley), ZipRecruiter, Thrive, Parameter, TCEQ permit 182733, Mississippi Today, The Information via TechCrunch (30 Aug), Quartz (2 Sep), Foundry Mag, Turbomachinery Magazine, TIKR, MarketBeat, MarketScreener, AI Business (9 Jan). K2 calculations: abnormal returns use 2-year weekly betas against the local index; cover now is backlog plus reservations over the current rate, and in projections year-end book over next-year capacity; casting revenue per kW is Howmet's 2026 gas turbine revenue over BNEF's 2026 capacity, divided by a 50% share (an upper bound that includes spares), and new-build content removes Siemens Energy's 70% service share of blades and vanes. Estimates are K2 Capital's and are subject to change without notice.

General

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