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American Superconductor: Capitalizing On Grid Modernization

Jan. 22, 2026 12:42 AM ET**American Superconductor Corporation (AMSC) Stock** GEV

Lawrence Carrel

Summary

- American Superconductor is a buy, driven by surging electricity demand and grid modernization, not just AI data center exposure.
- AMSC's recent Comtrafo acquisition is immediately accretive, helps the company expand into Latin America, and positions it for at least 20% growth next year.
- Fiscal 2024 revenue surged 53% to $222.8M, with the first annual profit and a strong balance sheet—$128M cash post-acquisition, debt-to-equity of 0.3.
- I set a $41 price target for AMSC by fiscal 2026, reflecting 24% upside, with catalysts including earnings beats and smooth integration of Comtrafo.

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Before this year, American Superconductor (AMSC) had been under the radar quietly making equipment for the electric utility industry. In 2025, the market decided that the company would benefit from the artificial intelligence (AI) boom by helping data centers manage their electricity flows. Over the year, its shares surged 170% by the close on Nov. 5. The next day, AI stocks sold off, and AMSC's shares fell 38% to $36.55.

Investment Thesis

The thesis is that while AMSC does hope to capitalize on the AI boom and growth of data centers, it's already profiting from a bigger market trend. That trend is the need to upgrade electric grids pushed to their limits from increased demand across all of society.

The shares have continued to sell off as investors fearing the AI rally is a bubble take profits. However, even if it is a bubble, data centers are currently a small part of AMSC's business, and its growth will come from the broad need for electricity. The stock is a buy.

Reasons to Buy: Demand for Electricity is Surging

After 16 years of stagnant growth, 2024 saw electricity demand grow 3%, or 128 terawatt-hours (TWH), the fifth-highest level of demand growth this century, according to Ember, a global energy think tank.

Demand for power transformers is experiencing significant, rapid growth, driven by grid modernization, massive renewable energy integration (solar/wind), rising electricity use (electric vehicles (EVs), data centers, cryptocurrencies), and the urgent need to replace aging infrastructure. The Department of Energy says that more than 70% of the nation's grid transmission lines and transformers are more than 25 years old. This surging demand is forecast to need 160-260% more capacity by 2050, compared to 2021 levels, according to the National Renewable Energy Laboratory (NREL).

The grid modernization market is expected to grow from $33.62 billion in 2024 to $70.77 billion in 2029 at a 16.1% compounded annual growth rate (CAGR).

U.S. peak electricity demand is expected to increase by about 26% by 2035, according to Deloitte.

Looking ahead, data center energy use will quintuple by 2040, becoming 5% of all global electricity, according to DNV, a leading technical advisor to the energy sector. North America makes up 16% of global electricity demand, and over the next five years, AI will be the biggest driver of electricity consumption in North America.

Finally, a Google executive said last week, that Google's biggest problem with powering up data centers on the grid is that in some parts of the country the wait times are more than a decade, meaning that companies that can help these technology giants transmit vast amounts of electricity from the country's old and slow power plants, such as AMSC, will have a lot of business in the years ahead.

Company Overview

Most of American Superconductor's products are custom-made transformers and related devices sold to electrical utilities, and a variety of industrial end-market customers in areas such as metals, mining, and semiconductor fabs. AMSC's products enhance the performance and reliability of power networks with transmission-level voltage control. Basically, AMSC helps connect other industries to the grid and wants to provide the surge protectors to data farms.

As AMSC's website says, "We don't generate the electricity. We keep it moving."

The business consists of three main units. Its Gridtec division helps the grid systems of the nation's utilities optimize network reliability, efficiency, and performance. This makes up 83% of revenues. Marinetec Solutions provides ship protection systems and is developing propulsion and power management solutions to help fleets enhance power quality. Its Windtec unit provides controls and systems for wind turbines.

AMSC reports 25% of its revenue comes from helping traditional energy companies and pipelines. Renewals make up 25% of sales, 20% come from utilities and industrial customers, and 20% come from metals, mining, and materials, which include semiconductors. The military makes up the last 10%.

Business Analysis

Part of AMSC's growth has come from acquisitions that have opened up new markets. The August 2024 acquisition of NWL, a power supply company, brought in military customers and approximately $55 million in annual revenue.

In December, the company announced that it entered the growing Brazilian and Latin American energy market by acquiring Brazilian transformer maker, Comtrafo Indústria de Transformadores Elétricos.

In a deal valued at approximately $162 million, AMSC bought a 30-year-old, family-owned-and-operated business that manufactures large power transformers and distribution transformers for utility and industrial customers in both the Brazilian and international markets. AMSC purchased all of Comtrafo's shares for 300 million Brazilian Real, approximately $55 million in cash, and issued 2.4 million shares of restricted AMSC common stock worth about $78 million. AMSC also purchased property containing two factories with over 100 acres for approximately $29 million in cash.

Brazil is one of the 10 largest economies in the world, the seventh-largest electricity consumer, and the largest electricity market in Latin America. The Brazilian transformer market is valued at $1.13 billion annually. It's projected to grow at a CAGR of 6.6% from 2025 to 2033, reaching approximately $1.99 billion by 2033, according to Horizon Databook/Grand View Research.

Comtrafo is expected to post sales of $55 million in 2025, with gross margins regularly exceeding 20%, comparable to AMSC's operating margins. The acquisition is expected to be immediately accretive in the fourth quarter. The Brazilian firm has a 12-month backlog of approximately $55 million and a total backlog of $85 million, adding to AMSC's already 12-month backlog of more than $200 million. The company said the acquisition alone puts it in a position to grow by at least 20% next year.

Financials and Balance Sheet

For fiscal year 2024, ended March 31, AMSC's revenues surged 53% to $222.8 million. It also posted its first annual profit, jumping from a loss of $11.1 million in fiscal 2023, to net income of $6.0 million. In the June quarter, the company reported revenues soared 80% year-over-year to $72.4 million. Net income grew to $6.7 million. This shows management's current growth strategy is working by turning the company around from an unprofitable entity to posting its first profit in decades.

Another reason for the Nov. 6 stock plunge, the same day as the AI downdraft, AMSC reported earnings for its fiscal second quarter ended Sept. 30. The company posted its fifth quarterly profit: $4.8 million, or 11 cents per share, compared with $4.9 million, or 13 cents, for the same period last year. Even though revenue climbed 21% to $65.9 million, Wall Street didn't like that the company missed its $67.2 million estimate. However, non-GAAP net income did beat the estimate of 15 cents per share, with $8.9 million, or 20 cents. Gross margins surpassed 30%. With Comtrafo's margins of more than 20%, this means AMSC can maintain profitability while scaling.

Non-GAAP net income takes net income and adds in stock-based compensation and amortization of intangibles of a previous acquisition.

Chief Executive Daniel McGahn explained the second-quarter decline. One customer, a semiconductor fab, demanded delivery of equipment one quarter early, causing the June quarter to post $72.4 million in sales. If this payment was recorded in the September quarter as expected, not only would it have beat the estimate, but the revenues and earnings would have grown sequentially.

AMSC's guidance for the December quarter is net income will exceed $2 million on revenue between $65.0 million and $70.0 million. Non-GAAP net income is projected to be more than 14 cents a share. While the guidance looks like it's going in the wrong direction, it's the same guidance as the second quarter, which the company far exceeded. In fact, the company has a reputation for underpromising and overdelivering, meaning I expect the third-quarter's numbers to be the same or more than the second-quarter's results.

While this looks like the growth trajectory is stumbling, I think this is just a hiccup on the path to continued earnings growth.

One sign of how well AMSC is managed is the $212.9 million in cash reported for its September quarter. After the Comtrafo deal, the company still has $128 million in cash compared to $103.4 million in total liabilities. This means it can cover all its liabilities before it earns another dollar of revenue. Free cash flow is $5.1 million. The debt-to-equity ratio is 0.3, which is very good money management.

Valuation

AMSC's return on equity comes in at 5.72 percent, according to Stock Analysis.

This tops the return on equity for the electrical equipment industry, which is 4.78%, according to New York University's Stern School of Business.

For the first half of fiscal year 2025, AMSC's revenue came in at $138.3 million. If I assume $70 million in the current quarter, and $70 in the fourth quarter, plus $10 million from Comtrafo, I get $288.3 million for the year. AMSC projects 20% sales growth in 2026; that brings us to $346 million for fiscal 2026. Adding the $55 million from Comtrafo brings revenue to $401 million.

For the first two quarters, AMSC posted net income of 49 cents per share. If I conservatively forecast 35 cents for the next two quarters for a total of 84 cents for the year, at the current share price of $32. That gives a forward non-GAAP price-to-earnings ratio of 38, in line with the average P/E of 37.6 for the Specialty Industrial Machinery group on Stock Analysis. AMSC's closest competitors are Siemens (SIEGY), which has a P/E of 26, ABB (ABBNY), which has a P/E of 31, and GE Vernova (GEV), with a P/E of 89, according to Seeking Alpha.

If I take the 84 cents per share for fiscal year 2026 and project 25 percent growth, I get $1.05 multiplied by the P/E of 38, comes to $40. So, I give it a price target of $41 by the end of fiscal 2026 for a 28% return.

Risks

AMSC faces several strategic, operational, and financial risks. The most significant vulnerabilities stem from its heavy reliance on a few key customers and government funding. A significant portion of the revenue from AMSC's wind segment comes from one customer, Inox Wind, in India. Any financial instability or reduction in orders from Inox would impact AMSC's top line. Since AMSC depends on sales in emerging markets such as India and Brazil, where political, regulatory, and economic environments can be volatile, civil unrest or trade conflicts can disrupt operations.

Government dependency is another risk as the company holds multiple contracts with the U.S. and Canadian governments, particularly for defense-related programs. These are subject to annual congressional appropriations. If defense spending priorities change and funding is not approved, it could eliminate significant profit margins.

AMSC also relies on third-party suppliers for critical components of its grid and wind products. This makes the business vulnerable to global supply shortages and price fluctuations.

Since part of AMSC's growth strategy is pursuing acquisitions, integrating new businesses carries risks of poorly integrating the new companies.

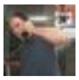
Catalysts to stock appreciation include beating earnings and revenue guidance, a smooth Comtrafo integration, and new contracts from the military and data centers.

Conclusion

AMSC is a key provider of products and services that address the U.S.'s current issues with power quality, supply, and resiliency. As such, it's ideally positioned to take advantage of these trends and ride the tailwinds of an overwhelmed electrical grid dealing with rapidly expanding energy demand and rising electricity rates.

As AMSC manages its accelerating growth, it looks like a buying opportunity.

This article was written by



Lawrence Carrel

Lawrence Carrel is an award-winning journalist, media consultant, and author of three books: ETFs for the Long Run, Dividend Stocks for DUMMIES, and Investing in Dividends for DUMMIES. He was on the team that created WSJ.com, a staff writer at SmartMoney.com and Forbes.com. Currently, he hosts the weekly "2 Question Tuesday" podcast, which deals with issues affecting the financial markets.