

# Fuelling growth: The \$1bn solution

By Neil Brown







## Fuelling growth: The \$1bn solution

We invest in companies that we believe offer great solutions to the great challenges of our time. These solutions are often most effective when their power, resilience, or longevity is underappreciated. They become particularly compelling when developed by companies whose potential shines brightest when seen through the lens of 'challenge, solution, opportunity.

Wabtec is a prime example of this vision and has been one of our largest positions for some time. As well as the sale and retrofit of rail locomotives, Wabtec develop digital technologies for trains and rail networks driving efficiencies and keeping our freight and transit passengers moving smoothly. While top performer NVIDIA has grabbed much of the attention this year, Wabtec has been our highest active overweight year to date and third-largest contributor to returns, delivering almost half the positive impact of NVIDIA on our portfolio returns.<sup>1</sup>

## Challenge

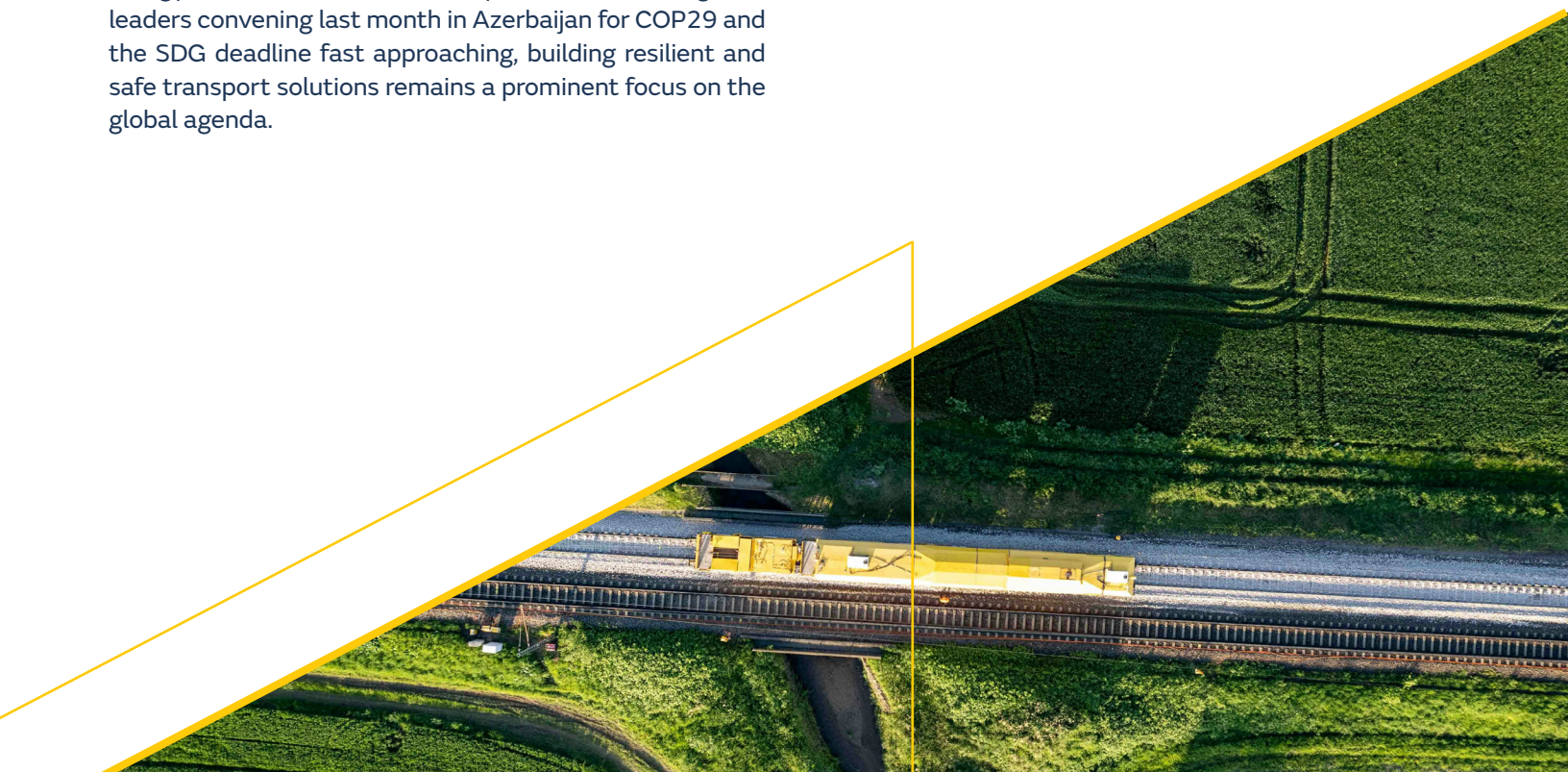
Accelerating our growth, development, and progress requires the ever-faster movement of more people and more products around our planet. This creates huge challenges for infrastructure and equipment builds, the coordination of increasingly complex systems, fuel and energy use and of course, safety. However, with global leaders convening last month in Azerbaijan for COP29 and the SDG deadline fast approaching, building resilient and safe transport solutions remains a prominent focus on the global agenda.

## Solution

We believe rail can have the greatest impact on moving people and products around the globe quickly, safely and efficiently. European Commission data from 2019 showed that at 0.09 fatalities per billion passenger kilometres, rail in Europe was just behind air travel at 0.08, one third safer than bus and coach at 0.24 and 28x safer than car travel at 2.52.<sup>2</sup>

With a third of global metro systems opening from 2017 to 2021, and freight demand set to double by 2050, rail provides a powerful growth driver for those companies who can deliver scalable solutions to the challenges facing ever greater uptake of rail.

Not content with being in an industry solving these great challenges, Wabtec have set their sights on the solution to 'revolutionise the way the world moves for future generations.'<sup>3</sup> As just one example, their Trip Optimiser has already saved customers 400m gallons of fuel which we estimate to be worth \$1bn, assuming \$2.5 a gallon for railroad diesel.



## Opportunity

Wabtec's legacy of innovation, dedication to environmental reduction and diversified revenue streams, present a compelling investment opportunity.

**A legacy of innovation:** Wabtec is at the forefront of rail transportation, with cutting-edge solutions such as the FLXdrive battery-electric locomotive and hydrogen-powered alternatives.<sup>4</sup> These advancements position the company to capture growing demand for low-emission transit, making it a key player in the shift toward greener transportation solutions.

**Diversified revenue:** Wabtec's revenue streams across freight, transit, and digital solutions demonstrate consistent growth and financial resilience. Its focus on green tech further enhances its competitive advantage, securing strong partnerships with governments and corporations focused on achieving environmental goals.



*In April 2016, the 'Middle Corridor' International Trans-Caspian Transport Consortium was established.*

Just last month, Wabtec secured a \$405 million agreement with the government of Kazakhstan to supply locomotives to the national railway, KTZ.<sup>5</sup> A move which has largely been seen as a way to meet the increasing demand along key trade routes, including the Trans-Caspian International Transport Route with neighbour Azerbaijan – where COP29 has spotlighted the need for sustainable infrastructure and transport solutions.

**Strong financials:** Wabtec's healthy balance sheet, strong cash flow, and alignment with SDG 11 (sustainable transport) offer attractive growth prospects for forward-thinking investors. The company's ability to deliver

both financial returns and positive environmental impact, makes it a standout choice for those seeking transformative investment opportunities.

## Conclusion

Our analysis indicates that financial success relies on the deep understanding of the challenges your clients face and the innovative power, the resources and culture to solve these challenges at scale.

The challenge for Wabtec's customers is how to capitalise on rapid innovation when you have an expensive rolling stock that was built to last for decades. We believe Wabtec's innovation targets this challenge with everything from brand new battery electric locomotives, through future hydrogen fuel cells and critically, fuel agnostic engines that can burn diesel today and hydrogen tomorrow. Trip Optimisers save fuel today, while new brake pads reduce the particulates entering our lungs on metros. Whole elements of rolling stock can be retrofitted to deliver benefits to capital already invested.

Wabtec meets this challenge head-on by delivering best-in-class productivity, reduced fuel consumption, and improved reliability. With COP29 convening last month, the global call for greener, safer and more efficient transportation solutions has never been clearer. Wabtec's collaborative partnerships and industry-leading technologies position it as a key player to be just that, and shape the future of freight and transit rail.

We believe that companies like Wabtec exemplify our commitment to high-impact, high-growth investments. These businesses not only meet today's urgent needs but also drive the transformative solutions required for the future. Wabtec's focus on innovation and clean technology makes it a compelling long-term investment opportunity for the GIB AM Sustainable World Strategy in a vital, growing market.

<sup>1</sup> Please note, the above is not a recommendation to buy or sell a particular security. For illustrative purposes only, may be changed without prior notice

<sup>2</sup> [Safety Statistics - International Railway Safety Council](#)

<sup>3</sup> Wabtec 2023 Sustainability Report

<sup>4</sup> Wabtec Corporation. N.d. 'FLXDrive' FLXdrive™ | [Wabtec Corporation](#)

<sup>5</sup> Railway Gazette, 2024. [KTZ and Wabtec finalise US\\$405m locomotive order](#)





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## Contact

[info@gibam.com](mailto:info@gibam.com)

T: +44 (0) 20 7259 3456

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