
Date: May 26, 2026

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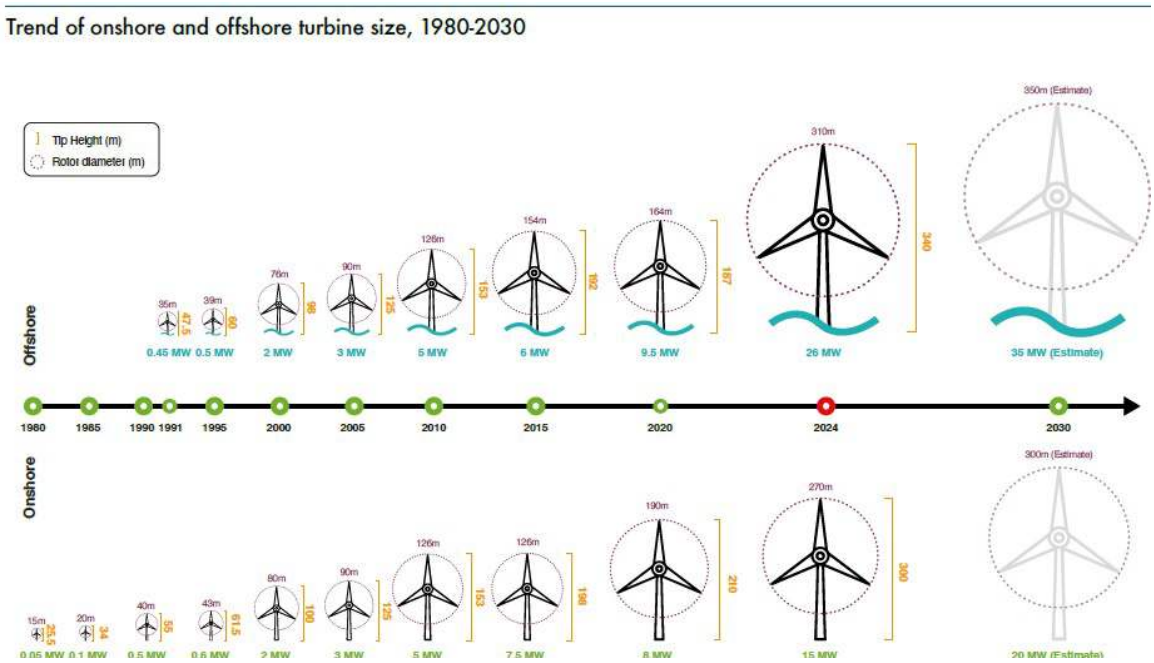
As has been proven repeatedly in the past, short-term headwinds provide fantastic opportunities for long-term investors to invest in quality companies with excellent long-term growth prospects. This has been the case recently with Vestas Wind Systems, a market leader in the production and servicing of wind energy technology.

## Short-term uncertainty creates opportunity

The global wind energy industry has come a long way from its humble onshore beginnings in the 1980's and offshore pioneers of the early 1990's [Figure 1]. Over the past 4 decades it has firmly established itself as a viable clean energy alternative through significant advancements in technology and scale. Yet, short-term changes in political will and the regulatory environment can bring significant market turbulence, distracting from the overarching fact that the world still needs vastly more clean, secure, and affordable power. That tension between near-term uncertainty and long-term necessity sits at the heart of Vestas's investment case. As policy shifts, supply chain pressures and competitive fears unsettle sentiment, the company's scale, technology, and service footprint suggest that short-term weakness may be less of a warning sign and more of an opportunity to back a high-quality leader in an industry that remains central to the global energy transition.

**Figure 1: Growth in wind energy supply over time**



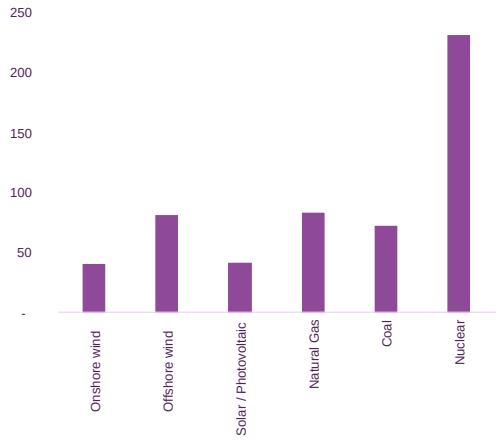

Source: GWEC Market intelligence

[1] The LCOE is a standardised metric used to compare the cost per megawatt-hour (MWh) over the lifetime of the asset, by dividing all lifetime costs (Capex, financing costs, O&M costs, fuel costs (zero for wind), and decommissioning costs) by the total energy generated.

## The rise of wind energy

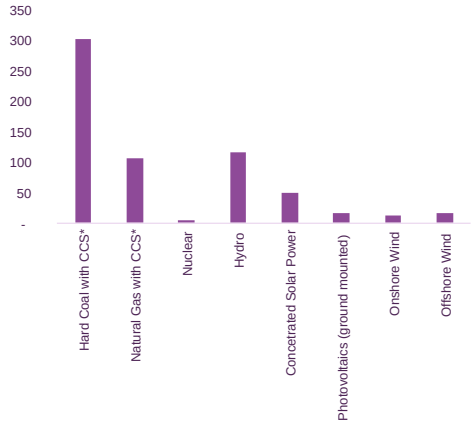
Over the past four decades, as technology has evolved and turbines have gotten bigger, wind power has evolved from a niche technology into a mainstream source of energy and a key pillar of the energy transition. It has proven economically viable, becoming one of the most cost-competitive energy sources globally. All around the world, wind farms are reducing carbon emissions and shielding economies from volatile fossil fuel markets, while also delivering a multitude of wider economic and social benefits. Not only is onshore wind the cheapest clean energy source on the planet, as measured by its Levelized Cost of Electricity (LCOE)[1] [Figure 2], onshore and offshore wind are also the cleanest of all renewable energy technologies, measured by their median lifecycle Greenhouse Gas (GHG) intensity[2][Figure 3]. This has driven prodigious growth for the industry. In 20 years, global wind capacity has grown more than 20-fold, surpassing 1,100 GW and accounting for 8% of global electricity generation. Investment in wind energy is today recognised as indispensable to addressing climate change and achieving energy security, which has once again been highlighted during the current global energy crisis.

**Figure 2: Levelised cost of electricty ($/MWh)**




Source: Company reports, Bloomberg NEF, Energy Transition Factbook 2024

**Figure 3: Average lifecycle GHG emissions (CO2eq./KWh)**



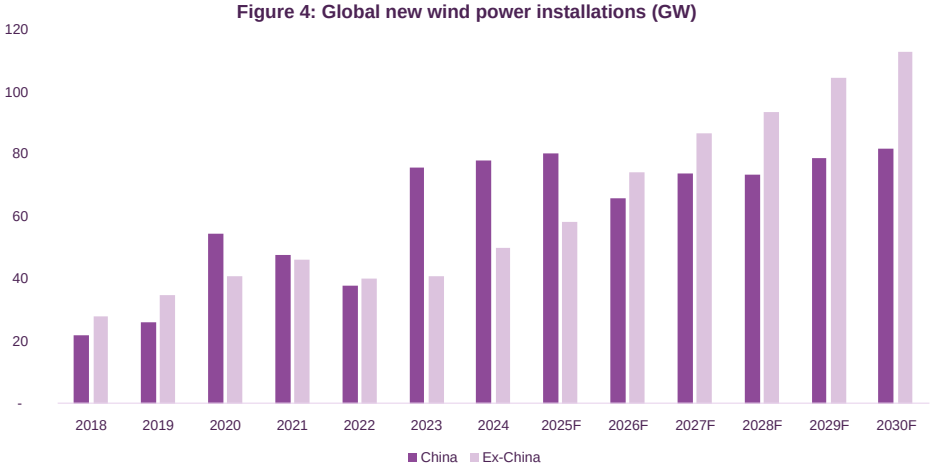

Source: GWEC Global Wind report 2025, PIM Research

## Recent industry headwinds

The growth story has, however, hit a few snags over the past 3 years. Whilst annual grid-connected wind power installations grew by a compounded annual growth rate (CAGR) of 8% over the past 3 years[3][Figure 4], Chinese installations have grown by +19% CAGR, whilst the rest of the world has been in a steady decline (-7% CAGR) since its peak in 2021.

[3]

**Figure 4: Global new wind power installations (GW)**




Source: GWEC Global Wind report 2025, PIM Research

[2] Median lifecycle Greenhouse Gas (GHG) intensity measures the middle value of total emissions produced per unit of energy across a technology's entire life, from resource extraction to disposal.
[3] According to the Global Wind Energy Council (GWEC)

There are 3 main reason reasons for this:

- Having suffered declining margins for over five years, driven by steadily increasing raw material costs (mostly steel, copper, and resins), the industry was struggling to generate sufficient returns, and clear action was needed. In 2020, most of the industry strategically decided to increase contract auction discipline (or pricing).
- Unfortunately, this coincided with higher interest rates in key markets (mainly the US and Europe), increasing the cost of capital on these long-term projects, hampering long-term commitments.
- Finally, COVID resulted in significant supply chain disruption, further delaying project deliveries and eroding investor confidence.

## Long term growth prospects

Despite these short-term headwinds, the industry's long-term growth prospects remain optimistic. The Global Wind Energy Council (GWEC) expects new wind installations (outside of China) to grow at an 18% CAGR through the end of the decade, led by offshore at a 27% CAGR, whilst onshore is expected to grow at a 14% CAGR. The key initiatives that are likely to drive this acceleration are:

1. Europe is accelerating renewables to improve energy security in the wake of the Russia/Ukraine conflict,
2. Although the recent US administration has created uncertainty around wind energy, it should still be supported by a surge in energy demand to advance local manufacturing and AI initiatives,
3. Despite Big Oil's green energy retreat, most governments and developers have maintained their commitments to offshore wind development, and
4. Growth in the emerging markets is expected to gain momentum.

The GWEC has, however, historically been overly optimistic about the industry's growth outlook. We expect global new wind installations to grow at 10% CAGR to the end of the decade, led by offshore at 20% and onshore at 8%.

## Vestas: A global wind leader

As has been proven repeatedly in the past, short-term headwinds provide fantastic opportunities for long-term investors to invest in quality companies with excellent long-term growth prospects. This was recently the case with Vestas Wind Systems. Vestas is the global market leader in wind turbine product design and development, outside of China, with an estimated 35% market share. It has two main business segments- Power Solutions, and Service.

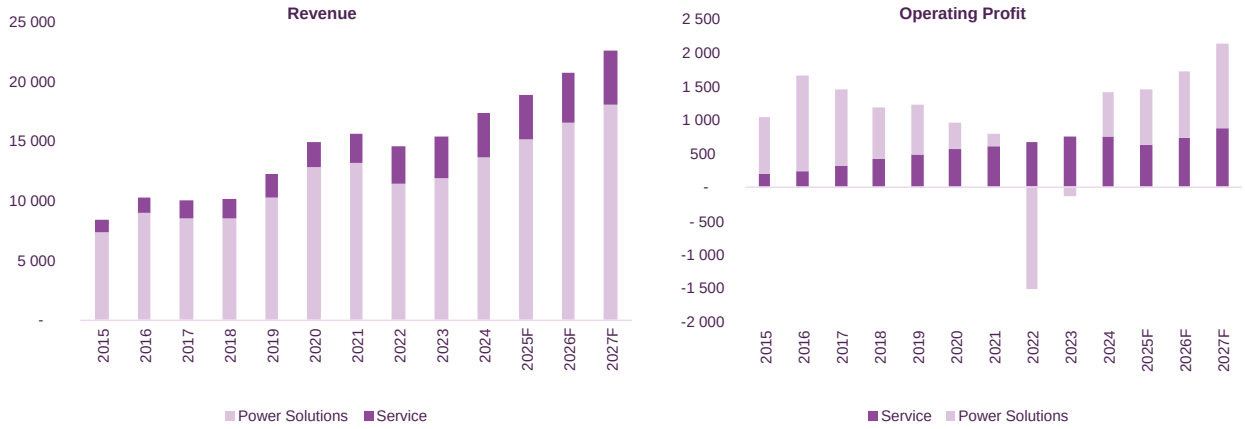
Power Solutions

This encompasses its onshore and offshore wind turbines business. With more than 40 years of experience and 170 GW of installed onshore capacity, Vestas leads the industry, delivering high-performing wind energy projects backed by some of the most advanced onshore wind platforms in the world. Its offshore turbines have been installed and maintained in frozen tundras, tropical trade winds, and tsunami-stricken waters. Its first project in Tunø Knob stands as the world's oldest commercial offshore wind farm, with its Vestas turbines still operating today.

Service

Beyond the turbine, Vestas takes care of everything from siting, manufacturing, construction, and installation to final commissioning of projects and turbine servicing operations. Roughly 80-90% of new wind turbine installations would include long-term Active Output Management operating and maintenance agreements. This Service segment provides stable recurring cash flow to balance what tends to be a cyclical and lumpy order book in the Power Solutions segment. Vestas has a truly global footprint, with manufacturing spread across 21 countries, either directly or through partnerships, due to domestic content requirements for most projects. It services 161 GW of capacity across 67 countries. In 2025, it had deliveries in 38 countries, with the largest markets being the USA, Germany, Brazil, Poland, Australia, Spain, and France. [Figure 5]

**Figure 5: Vestas Wind Systems: Segmental contribution (€'m)**




Source: Company reports, PIM research

## Reasons for share price weakness

Coupled with the industry headwinds mentioned earlier, Vestas experienced significant share price weakness during 2025 [Figure 6] due to a changing US regulatory landscape and heightened concern around perceived Chinese competition:

- Since 2022, the US Wind Energy sector has benefited from provisions in the Inflation Reduction Act (IRA), which extended Production Tax Credits (PTCs) and added Investment Tax Credits (ITCs) for developers through at least 2032. It also included up to 20% more tax credits for domestic content (steel, turbines, etc.). For wind power manufacturers, such as Vestas, it also provided domestic manufacturing tax credits, encouraging local manufacturing and reshoring. The introduction of the One Big Beautiful Bill Act (OBBBA) threatened to dismantle these core provisions. As the scope of the OBBBA's impact became clearer, sentiment recovered.
- Chinese turbines are often 20-30% cheaper than their Western competitors, and they benefit from lower labour and domestic transportation costs, making it uneconomical for the Global OEMs to compete in China. Vestas strategically decided to scale back its Chinese operations in 2012 limiting its exposure to this competitive pressure.

**Figure 6: Vestas Wind System A/S**

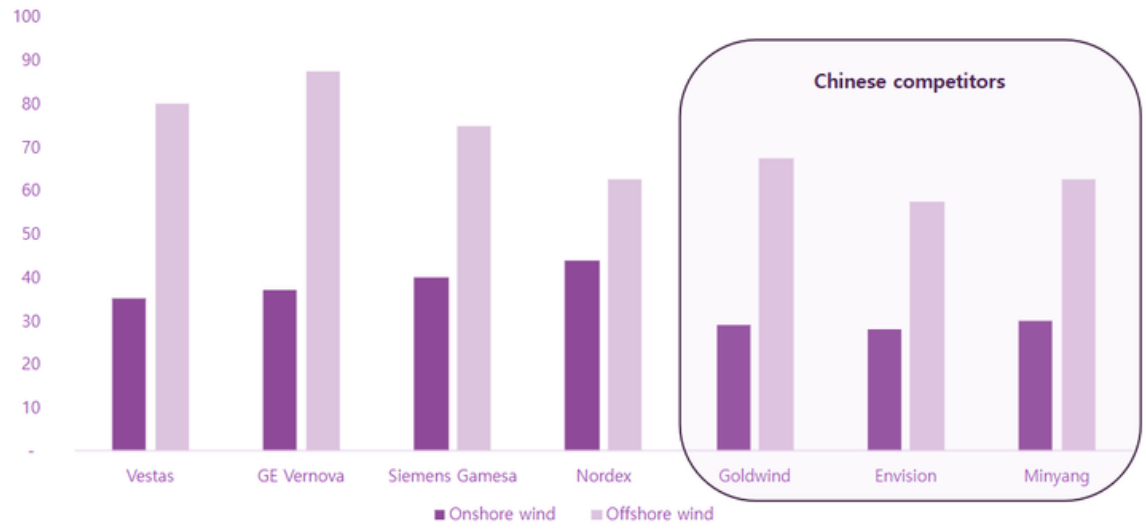

Source: Perpetua Investment Managers

## The fears proved to be overblown

This confluence of events highlighted Vestas as an investment opportunity in our Industrials Cluster screening process and offered a rare opportunity to invest in what is considered the best-in-class wind turbine manufacturer globally. The market's fears have proven to be overblown:

- The eventual implementation of the OBBBA was significantly better than feared. Although the OBBBA curtailed wind credits, it did not provide an immediate repeal. PTCs and ITCs remained available for projects beginning construction by July 2026 or placed into service by December 2027. Similarly, domestic manufacturing credits remain for wind components produced and sold before December 2027. In practice, this meant that the US Congress compressed the eligibility window for new wind projects, effectively pulling demand forward in the US. This benefited companies like Vestas, which has signed more than 4.5 GW in new onshore orders in the US since the passing of the OBBBA.
- Thus far, the presence of Chinese players outside of China has been limited. Despite their cost advantage, the Chinese OEMs are hampered by regulations and policies favouring domestic manufacturing, country-specific technical certifications, and the scale of incumbent service and logistics networks. Given the long-term nature of these projects and the reliance on service contracts to sustain lower LCOEs [Figure 7], a trusted service partner is very important, giving an edge to the likes of Vestas in its key European growth markets.

**Figure 7: Levelised Cost of Electricity**




Source: Company reports, Bloomberg NEF, Energy Transition Factbook 2024

Our estimates indicate that nearly 60% of Vestas' future growth opportunities will come from European onshore and offshore projects. This is even more than the 52% of its current order book that is exposed to the EMEA region. This was further supported in January 2026 when European governments around the North Sea, along with the UK, backed a new push for joint offshore projects, including 100 GW of cross-border offshore wind projects and a broader 300 GW North Seas ambition by 2050. In February 2026, the EU's probe into China's Goldwind, under the Foreign Subsidies Regulation, showed that it is willing to defend the European wind market from allegedly unfairly subsidized competition, and in early March, the Commission's proposed Industrial Accelerator Act further reinforced the broader "Made in Europe" direction for clean-tech manufacturing.

## Our investment view

Vestas maintains a slight edge over other Western OEMs, based on its technology, scale, and proven quality track record, which, coupled with its industry-leading service and maintenance scale, should sustain market share going forward.

Despite political headwinds in the US, global new wind installations are expected to grow at roughly 10% CAGR until the end of the decade, supported by Europe accelerating renewables to improve energy security, a surge in power demand for AI and domestic manufacturing, growth in emerging market grid capacity, and lower interest rates. Despite the eventual loss of IRA-related credits in the US, Vestas should be able to expand operating margins to around 8% long term, supported by pricing discipline and a reset in the service contract backlog, driving earnings per share CAGR of more than 20% over the next 5 years.

Although Vestas is not insulated from policy risk, project delays, or a more demanding competitive environment, the market underestimated the durability of its strategic advantages. Its margins reflect this recovery [Figure 8]. In an industry where execution, installed base, trust, and long-term servicing capability matter, Vestas remains well-positioned and offers exposure to one of the world's most important structural growth themes through a proven market leader whose long-term prospects may be stronger than short-term sentiment implies.

Vestas Wind Systems is a holding in the Perpetua Global Focused Equity and Global Core Equity portfolios.

**Figure 8: Vestas Wind System: Operating margin %**


Source: Company reports, PIM Research