

Hubbell Incorporated: Where Should the Next Dollar Go?

Internal ID: S&F-STR-298

Topic: Corporate Strategy, Mergers & Acquisitions, Capital Allocation

Industry: Electrical Components & Equipment

Source: Strategy & Finance

Publication date: 5 October 2026

License: Not specified

Decision date and information cutoff: October 29, 2024, 9:59 a.m. ET

Decision scope: Growth capital, acquisitions, and shareholder returns

Case convention: This is an author-created management decision exercise. The assignment and hypothetical role are not an actual Hubbell proposal or private deliberation. Use only information publicly available by the stated cutoff.

The decision

Hubbell's third-quarter results showed a portfolio moving in different directions. Utility Solutions grew 11% in reported sales, but its organic sales fell about 4%; acquisitions added about 15%. Electrical Solutions' reported sales fell 5%, while its organic sales increased about 3% and a divestiture reduced sales about 8%. Management described strength in selected grid markets, data centers and renewables, alongside continuing softness in telecom and utility distribution.

At its June Investor Day, Hubbell had described a broad capital-allocation approach: invest in growth and productivity, pursue complementary acquisitions, build attractive areas, and return cash. It said more than \$2 billion was available for acquisitions, expected bolt-ons to contribute 2-3% annual growth, and targeted double-digit returns on invested capital for bolt-on acquisitions. These were management claims and targets, not evidence of a specific deal pipeline or segment-level project returns. [S1, slide 27]

Assignment: Prepare a recommendation for Hubbell's next 12-18 months of discretionary capital allocation. Rank or combine four uses: (1) organic capacity and productivity investment in Utility Solutions, (2) organic investment in Electrical Solutions, (3) complementary acquisitions, and (4) shareholder returns or retained financial flexibility. Explain what evidence supports your ranking, what could change it, and what decision gates Hubbell should use. You may recommend a staged or conditional approach. No specific live vote, project proposal or acquisition target is represented.

Hubbell's two-segment portfolio

Hubbell describes itself as a manufacturer of utility and electrical solutions used in critical infrastructure. It reports two segments. Utility Solutions supplies products into grid and utility applications; Electrical Solutions serves electrical markets that include residential, non-residential and industrial applications. Management presents these offerings as connected to energy infrastructure and electrification. [S1, slides 20-22; S2, "About the Company"]

The portfolio's growth pattern was not uniform in the third quarter. Hubbell's sales and segment-margin disclosures appear below. Organic sales, acquisition and divestiture contributions are company-defined measures, not separate GAAP revenue lines. Rounded

figures in the release's highlights can differ from the more precise reconciliation. "Adjusted" operating income and margins exclude specified items; they are not GAAP results.

Exhibit 1. Third-quarter 2024 segment snapshot

U.S. dollars in millions; quarter ended September 30. Year-over-year change.

Measure	Utility Solutions	Electrical Solutions
Q3 net sales, 2024	\$933.1	\$509.5
Q3 net sales, 2023	\$837.9	\$537.9
Reported net-sales change	+11%	-5%
Organic net-sales change	-3.8% (about -4%)	+3.4% (about +3%)
Acquisition contribution	+15.3% (about +15%)	-
Divestiture contribution	-	-8.5% (about -8%)
GAAP operating margin	22.6%	18.3%
Adjusted operating margin	25.3%	19.4%
Selected product-market signals	Grid Infrastructure sales +15%; Grid Automation +4%	Management cited strength in data centers and renewables

Source: Hubbell Q3 2024 results release, "Third Quarter Financial Highlights," "Segment Information," and "Organic Net Sales Growth." Segment product-market growth figures are company-reported. Acquisition/divestiture and organic percentages are the company's reconciliation; the table does not show incremental returns on acquired or organic capital. [S2]

Management said Utility Solutions benefited from transmission, substation, grid protection and controls demand associated with load growth and renewable interconnection. It also cited weak telecom markets and continued utility-distribution customer inventory normalization. The company attributed Utility Solutions' Q3 margin movement to acquisition impacts, price/cost/productivity management and prior-year investments, partially offset by volume declines in enclosures, primarily driven by telecom. [S2, "Third Quarter Financial Highlights"]

For Electrical Solutions, management said volume growth, price/cost/productivity management, portfolio transformation and mix drove operating-income and margin changes. It cited data-center and renewable strength. The release did not disclose product-level capacity needs, customer commitments, market share or incremental project returns for either segment. [S2, "Third Quarter Financial Highlights"]

Growth, cash and capital policy

Consolidated Q3 net sales were \$1,442.6 million, up 4.9% from a year earlier. The company's organic-sales reconciliation was: acquisitions +9.4%, divestitures -3.3%, foreign exchange -0.2%, and organic sales -1.0%. These categories explain different parts of reported growth; they should not be combined into a single measure of underlying demand. [S2, "Organic Net Sales Growth"]

Hubbell reported Q3 GAAP diluted earnings per share of \$4.05 and adjusted diluted EPS of \$4.49. The adjusted figure excluded \$0.40 per share of acquisition-related intangible

amortization and \$0.04 of transaction, integration and separation costs. Q3 consolidated GAAP operating margin was 21.1%; adjusted operating margin was 23.2%. These performance measures describe the quarter, not marginal returns on a proposed new investment. [S2, highlights and non-GAAP reconciliations]

Cash from operating activities was \$227 million for the quarter, compared with \$194 million in Q3 2023. Hubbell's non-GAAP free cash flow was \$188.8 million, versus \$159.0 million; the release defines free cash flow as operating cash flow less capital expenditures. The company continued to expect about \$800 million of full-year 2024 free cash flow. One quarter should not be annualized. [S2, cash-flow paragraph and "Free Cash Flow Reconciliation"]

For 2024, management expected about 6% total net-sales growth: approximately 1% organic growth and approximately 5% from acquisitions net of the residential-lighting divestiture. It forecast GAAP diluted EPS of \$14.20-\$14.40 and adjusted diluted EPS of \$16.35-\$16.55. The adjusted range excluded expected acquisition-intangible amortization of about \$1.75 per share, a \$0.22 loss on the residential-lighting disposal, and \$0.17 of transaction, integration and separation costs. These are forward-looking management estimates, not results. [S2, "Summary & Outlook"]

In October, Hubbell's board declared an 8% increase in the quarterly dividend, from \$1.22 to \$1.32 per share, to be paid in December. The annualized rate was \$5.28 per share. [S3]

An acquisition playbook-and a test of discipline

Hubbell's 2024 Investor Day described active portfolio management, a "proven bolt-on acquisition playbook," investment in CapEx for growth and productivity, and returning cash to shareholders. The presentation said the company had more than \$2 billion available to deploy to M&A, expected bolt-on acquisitions to add 2-3% annual growth, and targeted double-digit ROIC on bolt-on acquisitions. [S1, slide 27]

These statements set context for acquisition as a strategic alternative; they do not identify available targets, a current bid, deal pricing, integration capacity or realized returns. The Q3 growth bridge shows that acquisitions made a material contribution to reported company sales, but does not separate each acquisition's economics or show what organic investment would have produced instead.

The same uncertainty applies to internal investment. Strong grid product-market growth may indicate capacity or innovation opportunities, but the public release does not show constraints, lead times or project-level returns. Electrical Solutions grew organically in the quarter, but the release does not disclose which specific projects, if any, can absorb additional capital at attractive returns.

The capital-allocation question

Hubbell enters this discussion with a stated growth-and-return framework, two segments exposed to different demand patterns, and positive cash generation. The information available does not establish that every attractive market can absorb incremental capital, that another acquisition will meet its target, or that returning capital will outperform an internal project.

Consider the alternatives:

- **Invest in Utility Solutions.** Prioritize grid-related capacity, product development or productivity where demand is strong. The hurdle is to distinguish durable customer demand and a true bottleneck from acquisition growth, project timing and customer inventory cycles.

- **Invest in Electrical Solutions.** Extend organic opportunities in data centers, renewables or other markets. The hurdle is to establish project-level economics and avoid extrapolating one quarter's growth or margin.
- **Acquire complementary businesses.** Use the stated playbook to add products or capabilities. The hurdle is purchase price, strategic resource fit, integration capacity, and risk-adjusted returns; public information does not identify current targets.
- **Return cash or retain flexibility.** Support dividends or repurchases, or hold financial capacity for future opportunities. The hurdle is the value forgone if a high-return project or acquisition becomes available.

What should be funded first? What would Hubbell need to learn before committing more capital? How should it balance the company's growth targets against evidence about returns, uncertainty and shareholder alternatives?

Sources and information boundary

S1. Hubbell, [2024 Investor Day presentation](#), June 4, 2024, slides 16, 20-22 and 27.

S2. Hubbell, [Third Quarter 2024 Results](#), October 29, 2024, before the 10:00 a.m. ET analyst call. Sections: highlights, "Third Quarter Financial Highlights," segment information, organic-net-sales reconciliation, cash flow, free-cash-flow reconciliation, and "Summary & Outlook."

S3. Hubbell, [8% dividend increase announcement](#), October 25, 2024.

The case cutoff is October 29, 2024, 9:59 a.m. ET. Earnings-call remarks and replay are outside the information set. The case makes no claim about a specific actual capital-allocation vote, acquisition pipeline or segment-specific return.