

Newcastle University Investment Fund

Nexans SA - Euronext - NEX

Long: Target Price €182.28 - (44.6% Upside)

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Executive Summary

Nexans S.A. is a French leader in power and data cable technologies, positioned at the heart of the global shift toward electrification. The company provides an extensive portfolio of copper and fibre-optic cables, turnkey cable systems, and value-added services that support the entire energy and connectivity chain, from buildings and local infrastructure to high-voltage transmission (including offshore and subsea networks), telecom and data communications, and specialised industrial applications.

As at 19/10, Nexans trades at €126.10. Our Discounted Cash Flow Analysis implies a target price of €182.28 (base case), signalling a 44.6% upside.

We believe Nexans is undervalued because it sits at the centre of the global build-out of subsea HVDC and interconnection infrastructure, is mid-transition toward a higher-margin and more defensive business mix, and trades at a steep discount to its improving backlog quality and free cash flow outlook.



Company Overview

A global leader enabling sustainable electrification through high-value cable solutions.

Business Overview:

- Founded in 1900 (Alcatel cable spin-out in 2000)
- Headquartered in Paris, France
- ~28,500 employees, vertically integrated (incl. 4 copper rod mills: Canada, France, Chile, Peru)

Product & Revenue Segments:

PWR Grid & Connect

Low- and medium-voltage cables; smart energy systems supporting buildings, smart grids, EV mobility, decentralised energy, rural electrification.

Industry & Solutions

Customised cabling across automation, transport, renewables, nuclear, medical, resource extraction and material handling.

PWR Transmission

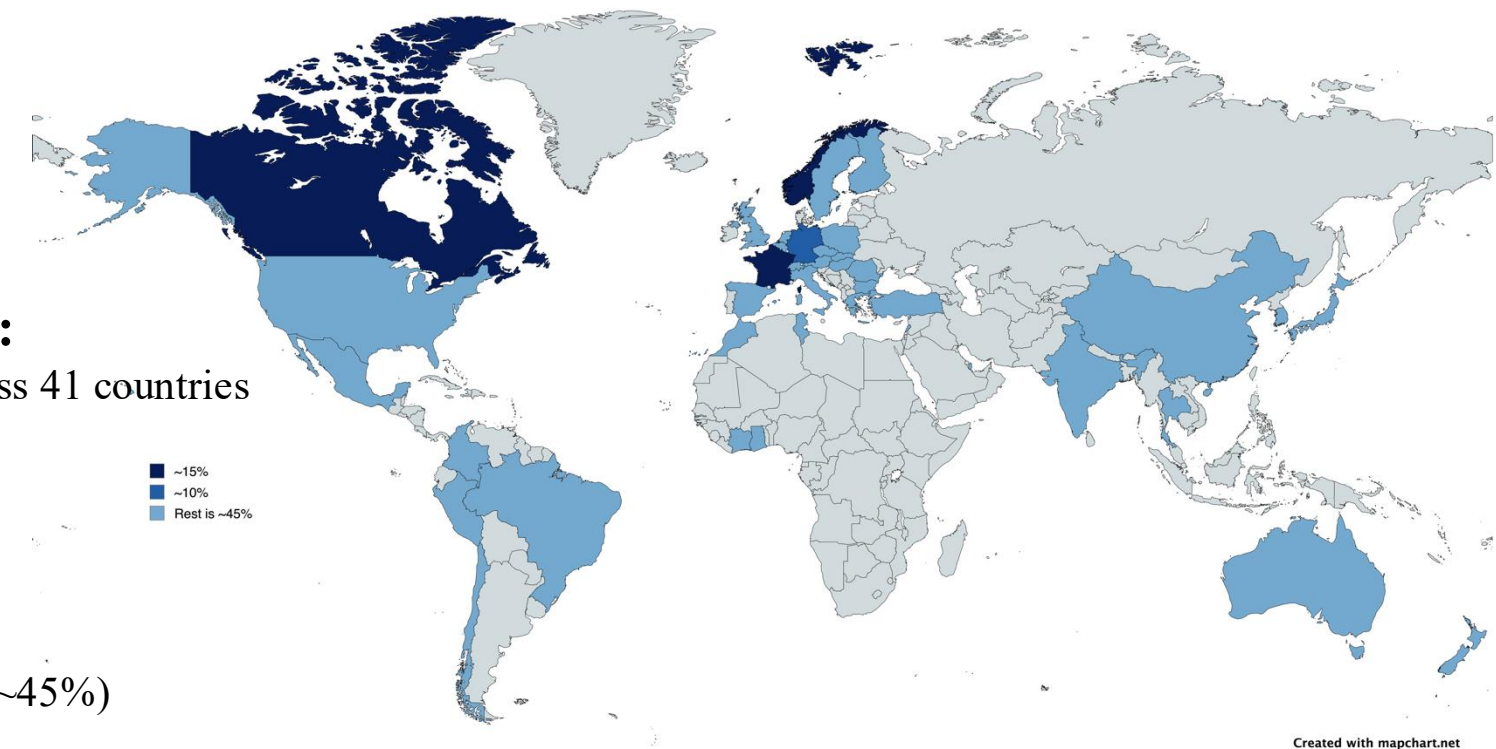
High-voltage subsea & land cables serving offshore wind, long-distance interconnectors, data cables, submarine monitoring.

Strategic Positioning:

- Strong presence in offshore wind, subsea interconnectors and grid modernisation
- Well-aligned to global electrification and energy-transition spending

Geographic Footprint:

- Industrial operations across 41 countries
- Revenue Split:
 - France (~15%)
 - Norway (~15%)
 - Canada (~15%)
 - Germany (~10%)
 - Remaining Global (~45%)

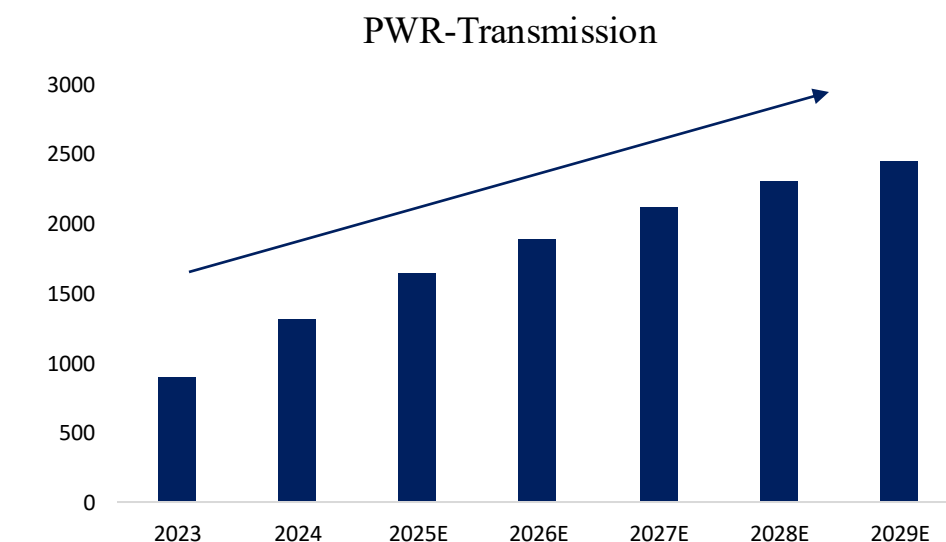


Financial Profile (2024):

Revenue EUR 8.5bn (+9% YoY)
Net Income EUR 283m
Operating Cash Flow EUR 775m
Cash EUR 1.3bn
CapEx EUR 903m (driven by high-voltage capacity expansion)

Customers:

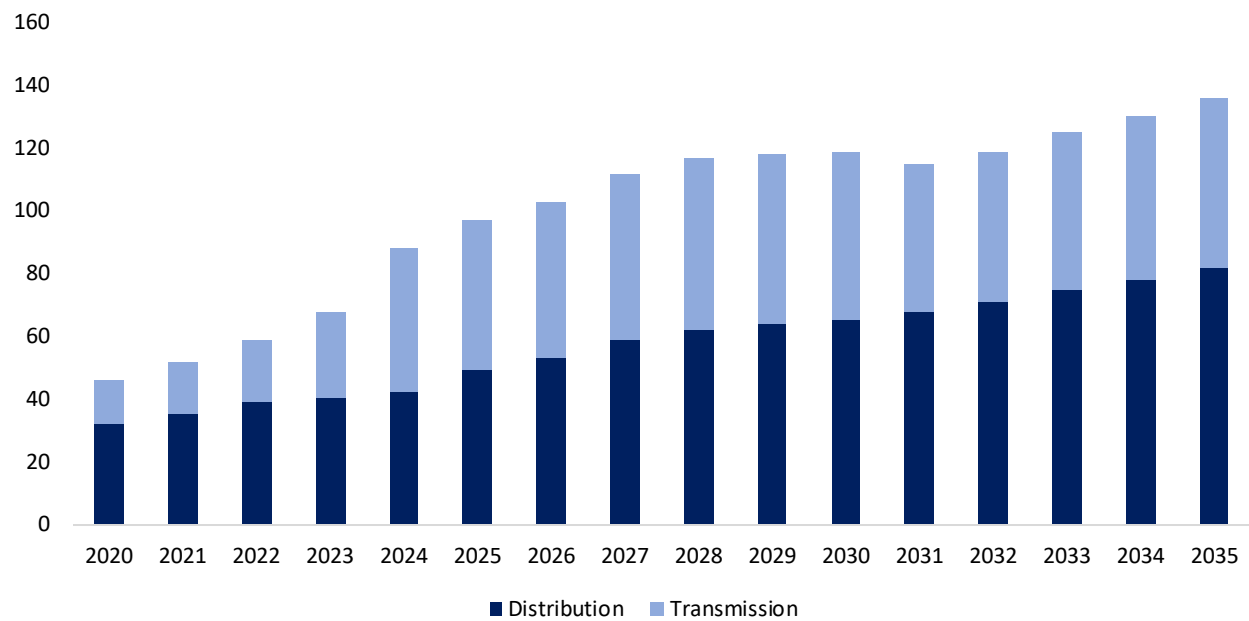
- Telecom operators, digital giants, installers
- OEMs, power utilities, wholesalers
- Energy, industrial and transportation clients



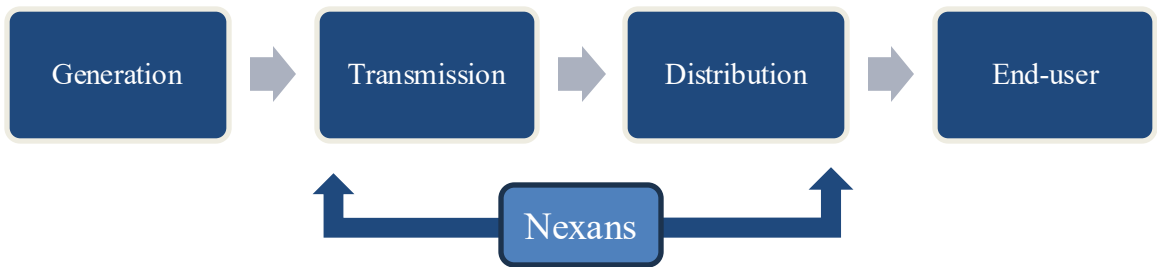
Industry Overview

Industry poised for significant growth over the coming years

Europe's capex on transmission and distribution is set to rise
European T&D investments, 2020-2035



Source: Goldman Sachs



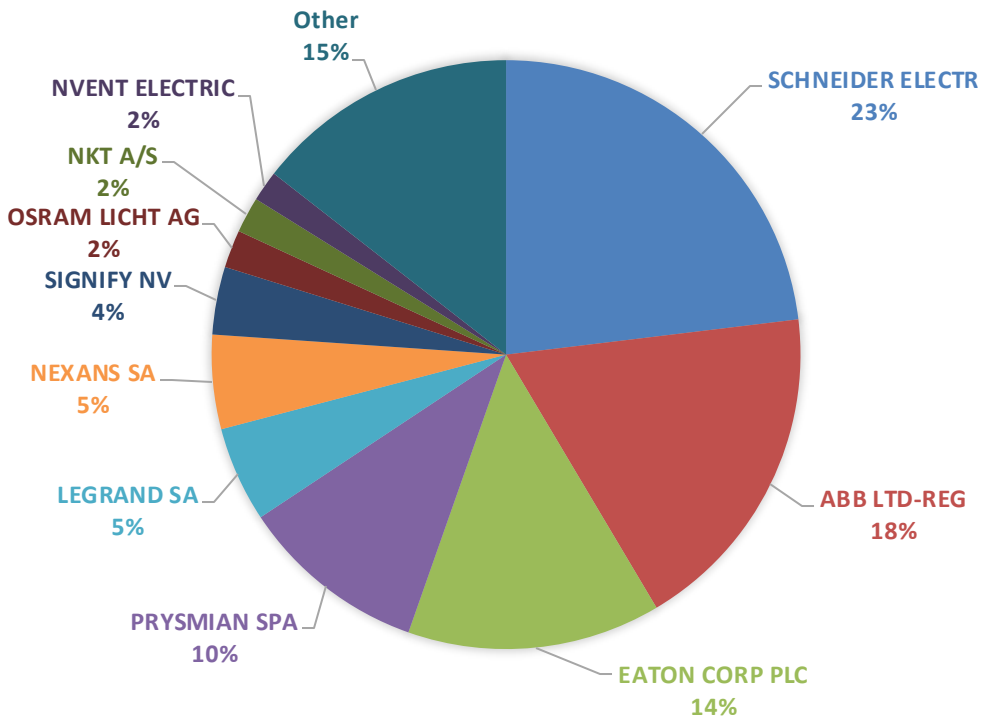
As electrification accelerates, the bulk of grid spending is directed to the transmission and distribution stages of the value chain, where high-voltage cables, substations and connectivity equipment are required to integrate renewables and reinforce ageing networks.

European Green Deal to act as a framework to achieve climate neutrality by 2050, focusing on shifting towards renewable energy sources. Goldman Sachs Research estimates that by 2030, around 75% of the installed base will be renewable.

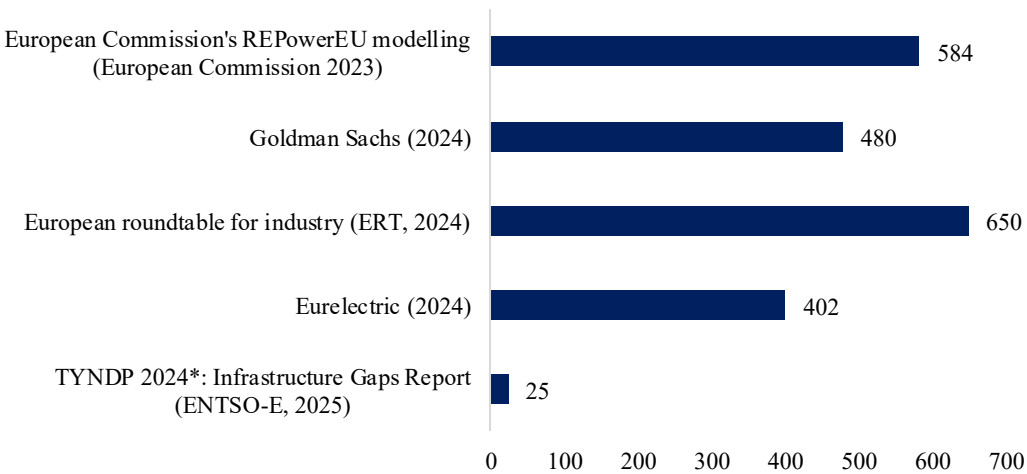
However, current grid infrastructure is outdated and obsolete. Average grid lifespan is 50 years, and around 40% of the current grid is over 40 years old, and is built for centralised oil/gas plants and not decentralised, bidirectional flow solar/wind farms.

As a result, huge investment is expected into the industry. The IEA estimates that, in order to meet global decarbonisation goals, global annual investments to grid will need to more than double to \$750bn by 2030 (currently \$330bn).

TOP 10 MARKET SHARE



Estimated cumulative investments to 2030 (€ billion)



Thesis 1: Restructuring

Delivering a proven portfolio realignment strategy that accelerates margin expansion and earnings durability.

Proven Portfolio Realignment

- Deliberate shift to core Electrification segments (PWR-Transmission, PWR-Grid, PWR-Connect).
- Completed disposal on non-core assets (incl. Lynxéo) and scope streamlining enhances strategic focus.

High-Value Backlog Underpins Durable Growth

- ~ EUR 7.4bn PWR-Transmission backlog provides multi-year visibility.
- Major wins incl. RTE HVDC framework (> EUR 1bn) reinforce competitive position and pricing power.

Strong Returns & Cash Conversion

- Electrification ROCE ~26% demonstrates superior capital efficiency vs legacy units.
- FY-2024 normalised FCF EUR 454m (~56% conversion) reinforces balance-sheet strength.

Operational Levers Improve Profitability

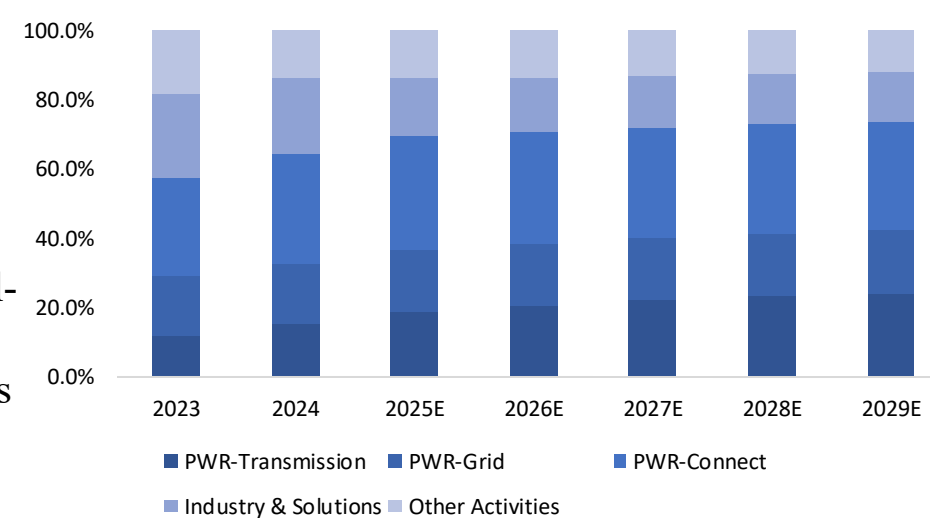
- Capacity upgrades (eg. Halden, Norway HV plant) enhance project execution and unit economics.
- Commercial shift to higher-value solutions (HVDC, offshore wind, grid services) boosts margin mix.

Margin Expansion Already Materialising

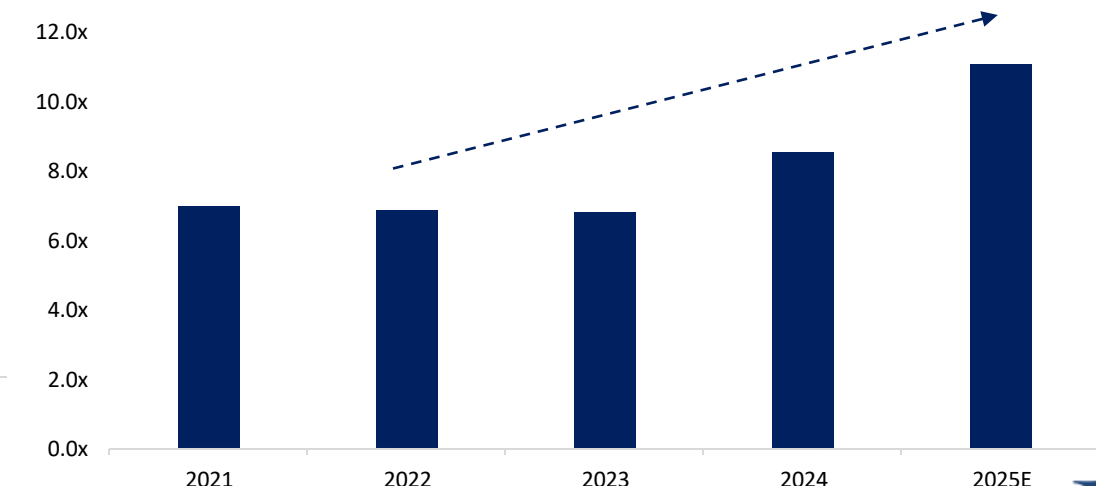
- FY-2024 adj. EBITDA: EUR 804m; margin 11.4% - all-time highs.
- H1-2025 Electrification organic growth +7.8% supports continued margin uplift.

Divested Entity	Business Description	Revenue (at divestment)	% of Nexans Revenue
Lynxéo (2024-25)	Specialty industry cables & solutions	~ EUR 700m standard sales	~10% of FY-2024 revenue
AmerCable (2024-25)	Power, control & instrumentation cables for harsh / industrial environments	EUR 110m (H1-2024 standard sales)	~1.5% of FY-2024 revenue (H1 proxy)
Aginode (ex-Telecom systems) (2023)	LAN/data centre & fibre/FTTx connectivity solutions	~ EUR 200m (Telecom Systems BU)	~2.8% of FY-2024 revenue

Revenue by Segment (%)



EBITDA Margin



Thesis 2: Scale & Position

Nexans’ scale and unique position in HVDC manufacturing, unique dual-vessel installation fleet and record subsea backlog position it as the highest-capacity pure play on the HVDC supercycle.

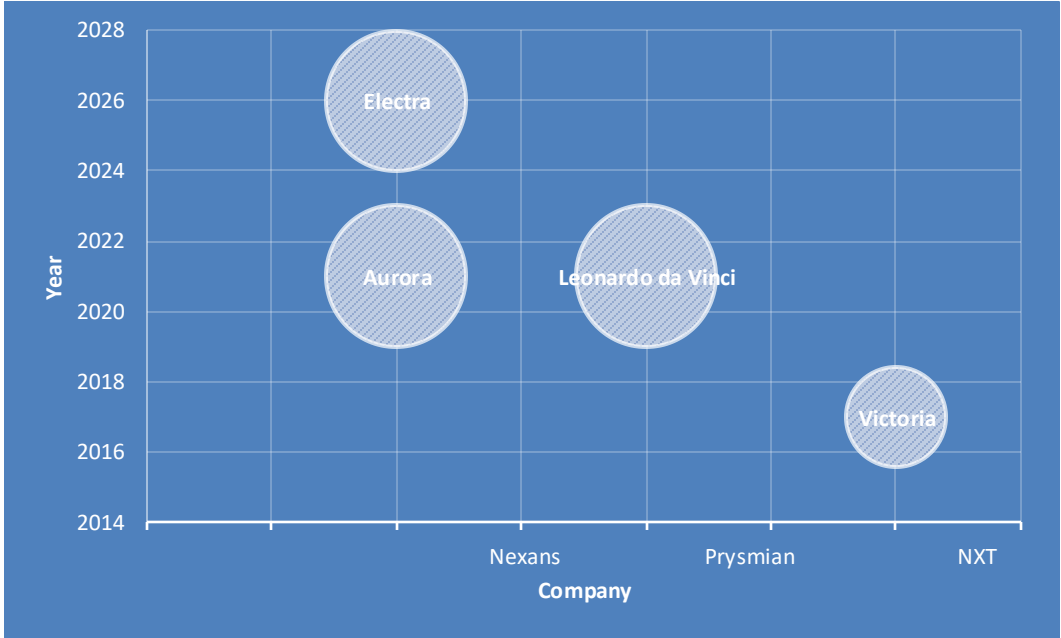
- Massive, Growing Subsea Backlog → Unique Exposure to Supercycle**
- PWR-Transmission backlog EUR 8.1bn (Mar-25), +9.7% YoY; H1-25 backlog EUR 7.8bn, +16% vs mid-2024.
 - >90% subsea-driven, giving unmatched exposure to offshore wind and interconnector demand.
 - Demonstrates Nexans’ role as a lead player, not a passive beneficiary.

- Manufacturing Scale: Halden Expansion**
- Major CapEx program doubled HVDC capacity.
 - Now producing 525 kV HVDC and 420 kV HVAC subsea cables.
 - Provides the high-voltage capability required for next-gen interconnectors.
- Scaling Profitability in Transmission**
- H1-25 PWR-Transmission sales EUR 747m, +21.7% YoY.
 - Adj. EBITDA EUR 88m – strong margins as scale ramps.

- Long-Term Visibility Reinforces Moat**
- Backlog provides visibility through 2028.
 - Multi-year pipeline entrenches competitive position vs. smaller cable fabricators.
- Cash Generation Supports Continued Scale-Up**
- FY25 guidance: Adj. EBITDA EUR 770-850m; FCF EUR 225-325m.
 - Transmission segment already major contributor to cash.
 - Enables reinvestment in plant/vessels while de-risking balance sheet.

Company	Vessel	Year Built / Delivery		Purpose	Relative Capacity
Nexans	Aurora	2021		Deep-water HVDC export	Very High
Nexans	Electra	2026E		HVDC installation	Very High
Prysmian	Leonardo da Vinci	2021		Submarine power cables	Very High
NKT	Victoria	2017		Export cables	High

- Installation Scale: Third Cable-Laying Vessel**
- “Nexans Electra” operational in 2026.
 - Materially expands installation throughput and reduces execution bottlenecks.
 - Aligns capacity with accelerating subsea project pipeline.
 - Nexans will be one of the only players worldwide with a dual-vessel HVDC fleet.



Thesis 3: Electrification

A structural, not cyclical, demand driver

- Electrification is the process of replacing technologies that run off fossil fuels with technologies that run off electricity.
- The European Commission aims to have an electrification rate of 30% by 2030, and 50% by 2050 (currently 22%).

“Without tackling grid congestion, Europe is in no position to embark on a strategy of electrification as cheap renewable electricity will fail to be integrated into power networks.”
- Climate Action Europe, Electrification Action Plan

- The European Investment Bank has increased its financing ceiling to a record €100bn to step up investments in energy grid infrastructure, and has already supplied €11bn in 2025 alone, triple the amount of last year. Earlier this year, the EIB group introduced a €1.5bn package to provide bank guarantees to European Grid Component manufacturers.

Together, low current electrification (~22%), ambitious EU targets and dedicated EIB funding imply a multi-decade uplift in grid capex rather than a one-off cycle, with sustained demand for high-voltage cables, interconnectors and grid components.

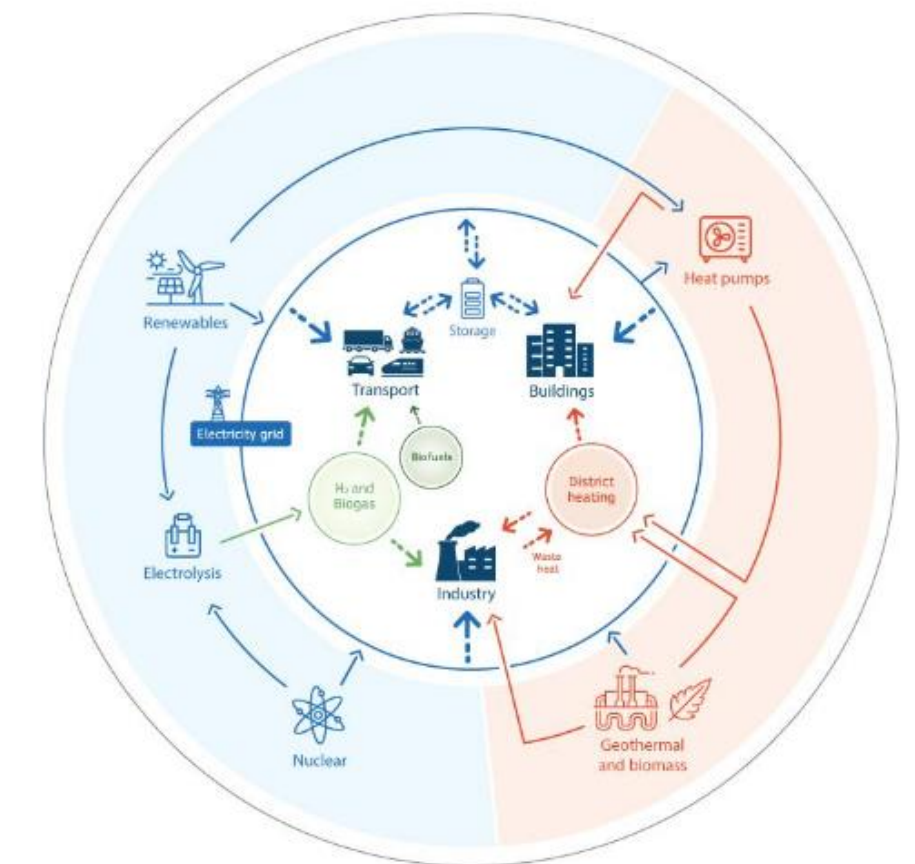
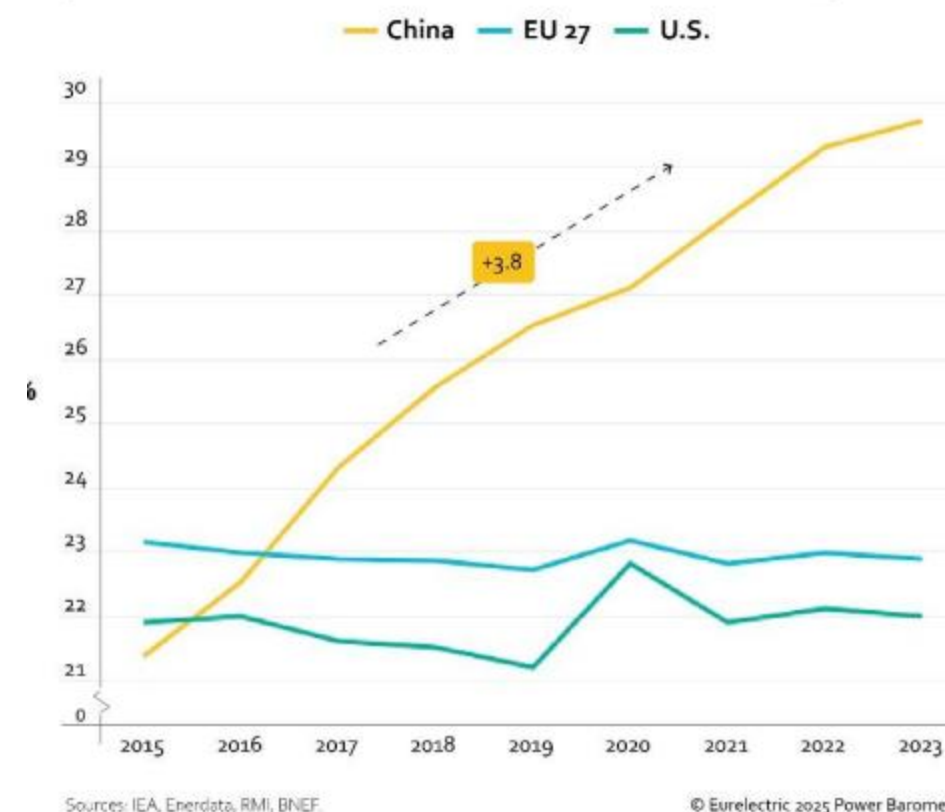
PAC 2.0 - Electrification rate

Sectoral electrification rate %, according to PAC 2.0

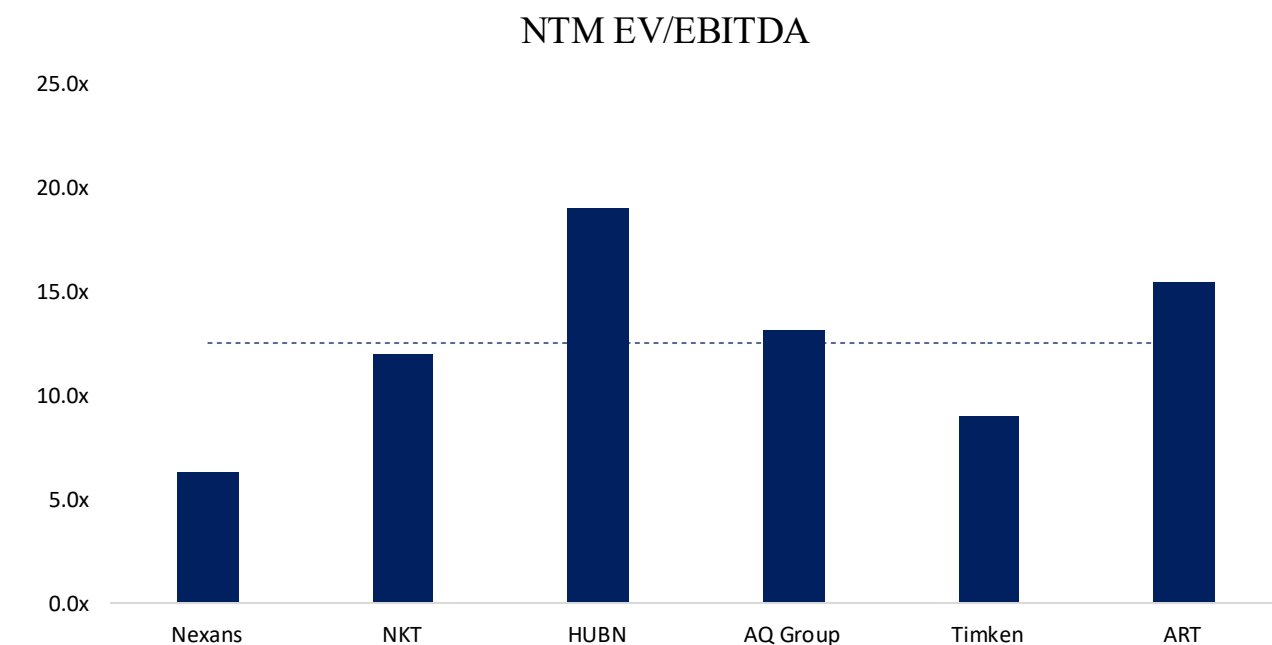
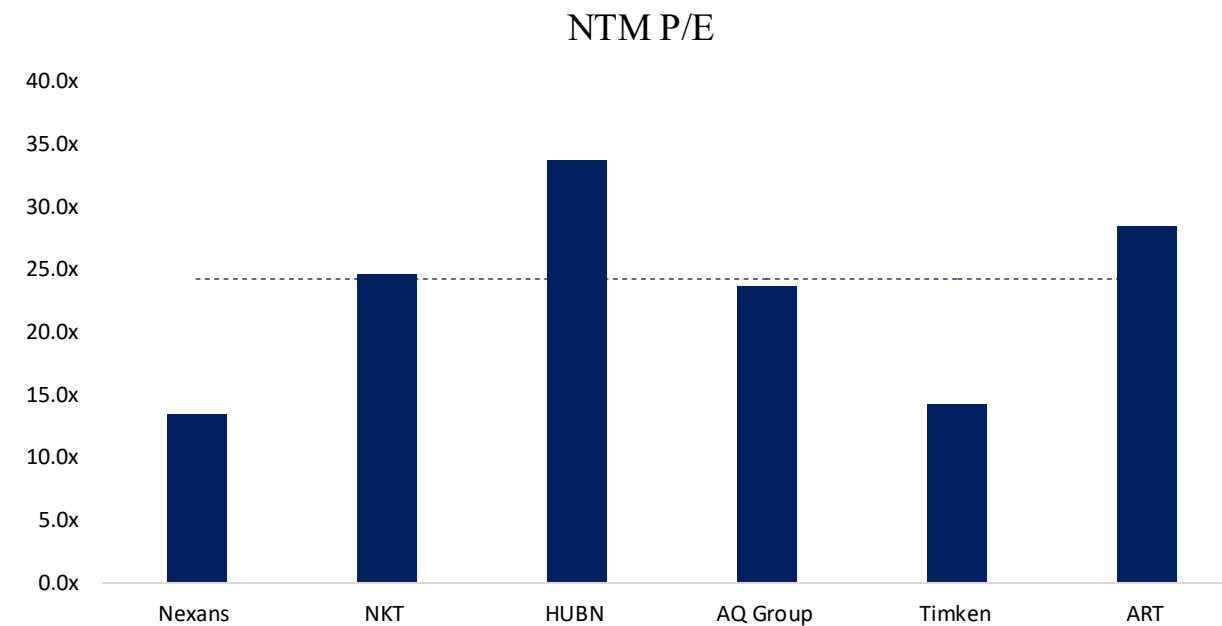
Sector	2020	2030	2035	2040
Buildings	35	47	54	60
Industry	24	39	48	57
Transport	2	19	44	79

Table: CAN Europe analysis • Source: PAC 2.0 Executive Summary, p. 37-38 •

Share of electricity in total final energy consumption



Comparable Companies Analysis



P/E Comparable	2021	2022	2023	2024	2025E	LTM	FY1	FY2
Nexans	22.83	14.97	15.60	16.31	13.41	10.86	13.48	14.58
NKT	424.42	48.78	28.92	16.43	24.79	24.22	24.66	24.1
HUBN	19.55	19.31	19.54	19.17	33.53	35.14	33.77	26.44
AQ Group	18.08	13.80	14.67	19.26	23.67	24.4	23.75	20.89
Timken	13.89	11.93	11.93	13.93	14.12	16.7	14.21	12.52
ART	24.13	28.97	18.93	20.10	28.45	34.07	28.45	23.53
Median	21.2	17.1	17.3	17.8	24.2	24.3	24.2	22.2
<i>Nexans Discount</i>	7.74%	-12.66%	-9.64%	-8.37%	-44.66%	-55.33%	-44.31%	-34.35%

EV/EBITDA Comparable	2021	2022	2023	2024	2025E	LTM	FY1	FY2
Nexans	7.5	6.77	6.98	7.2	6.27	6.59	6.3	6.19
NKT	14.21	13.2	10.02	6.84	12.07	11.94	12	10.93
HUBN	11.19	11.79	10.98	10.14	18.9	19.63	19.05	15.66
AQ Group	11.09	9.63	9.59	11.57	13.16	13.55	13.2	11.66
Timken	9.3	8.67	8.81	8.05	8.86	8.79	9.06	8.36
ART	11.42	9.94	7.22	8.65	15.46	17.95	15.46	13.41
Median	11.1	9.8	9.2	8.4	12.6	12.7	12.6	11.3
<i>Nexans Discount</i>	-32.68%	-30.81%	-24.13%	-13.77%	-50.30%	-48.29%	-50.00%	-45.20%

Comparable Companies Analysis

EV/EBIT Comparable					
	2021	2022	2023	2024	2025E
Nexans	11.42	9.85	9.89	10.25	8.84
NKT	70.39	32.28	15.84	9.94	18.43
HUBN	14.73	15.46	15.64	14.35	26.75
AQ Group	17.36	15.71	13.48	16.12	18.63
Timken	12.88	11.38	11.88	11.31	12.3
ART	12.88	11.38	11.88	11.31	12.3
Median	13.8	13.4	12.7	11.3	15.4
Nexans Discount	-17.28%	-26.60%	-22.00%	-9.37%	-42.47%

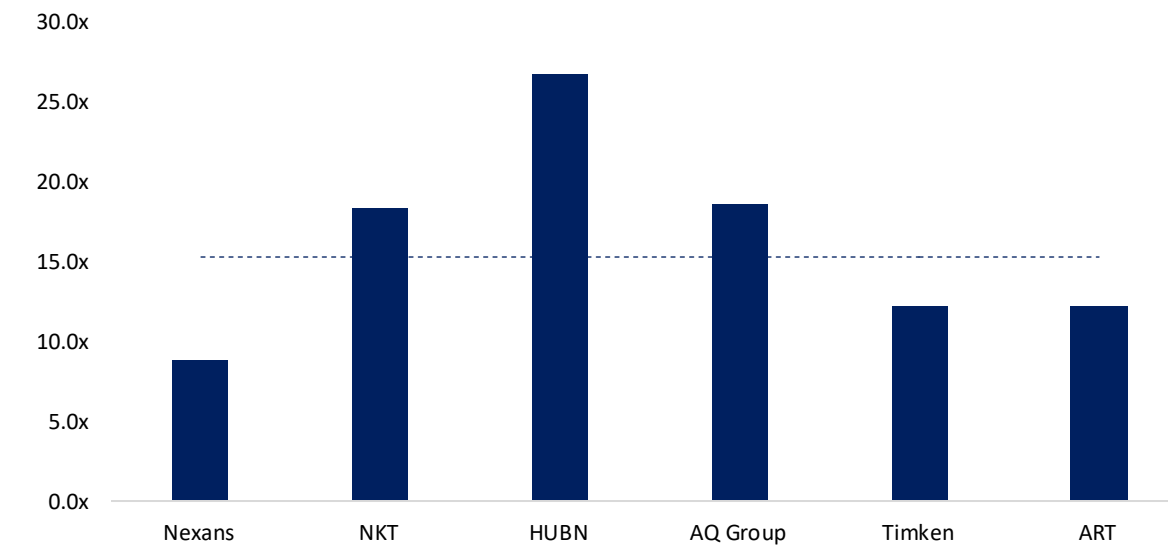
Consistent Discount to Peers

- Nexans has shown consistent discount to peers across historical, current and forward estimates when viewing key comparable metrics: P/E, EV/EBITDA, and EV/EBIT.
- This is despite strong growth and market placement, reflecting a deep, sustained discount.

Lower valuation can't be explained by temporary earnings cyclicality

- If Nexans were being discounted due to short-term cyclicality, forward multiples would revert towards the peer median.
- Here, forward multiples remain materially lower, indicating a structural mispricing rather than cyclical fluctuation.

NTM EV/EBIT



Market not fully pricing Nexans' shift to higher quality business mix

- Despite Nexans leaning into most attractive segments (grid, offshore wind, interconnection), it doesn't enjoy the premium similar energy transition names enjoy.
- Improved margins following restructuring implies the market underappreciates the trajectory of the business, not just its current state.

Relative EV multiples suggest equity narrative is lagging the fundamentals

- EV/EBIT and EV/EBITDA incorporate debt and capital intensity.
- Trading below suggests the market isn't rewarding improved capital allocation and deleveraging.

Discounted Cash Flow Analysis

ENTERPRISE VALUE

	Terminal Growth Rate				
	1.0%	1.5%	2.0%	2.5%	3.0%
WACC 6.2%	9,117	9,899	10,865	12,088	13,689
7.2%	7,659	8,182	8,804	9,557	10,488
8.2%	6,604	6,973	7,402	7,906	8,505
9.2%	5,803	6,076	6,387	6,743	7,157
10.2%	5,176	5,384	5,617	5,880	6,179

EQUITY VALUE PER SHARE

	Terminal Growth Rate				
	1.0%	1.5%	2.0%	2.5%	3.0%
WACC 6.2%	221.47	239.35	261.43	289.41	325.99
7.2%	188.16	200.10	214.33	231.55	252.82
8.2%	164.02	172.47	182.28	193.79	207.50
9.2%	145.73	151.96	159.06	167.21	176.66
10.2%	131.38	136.13	141.46	147.47	154.32

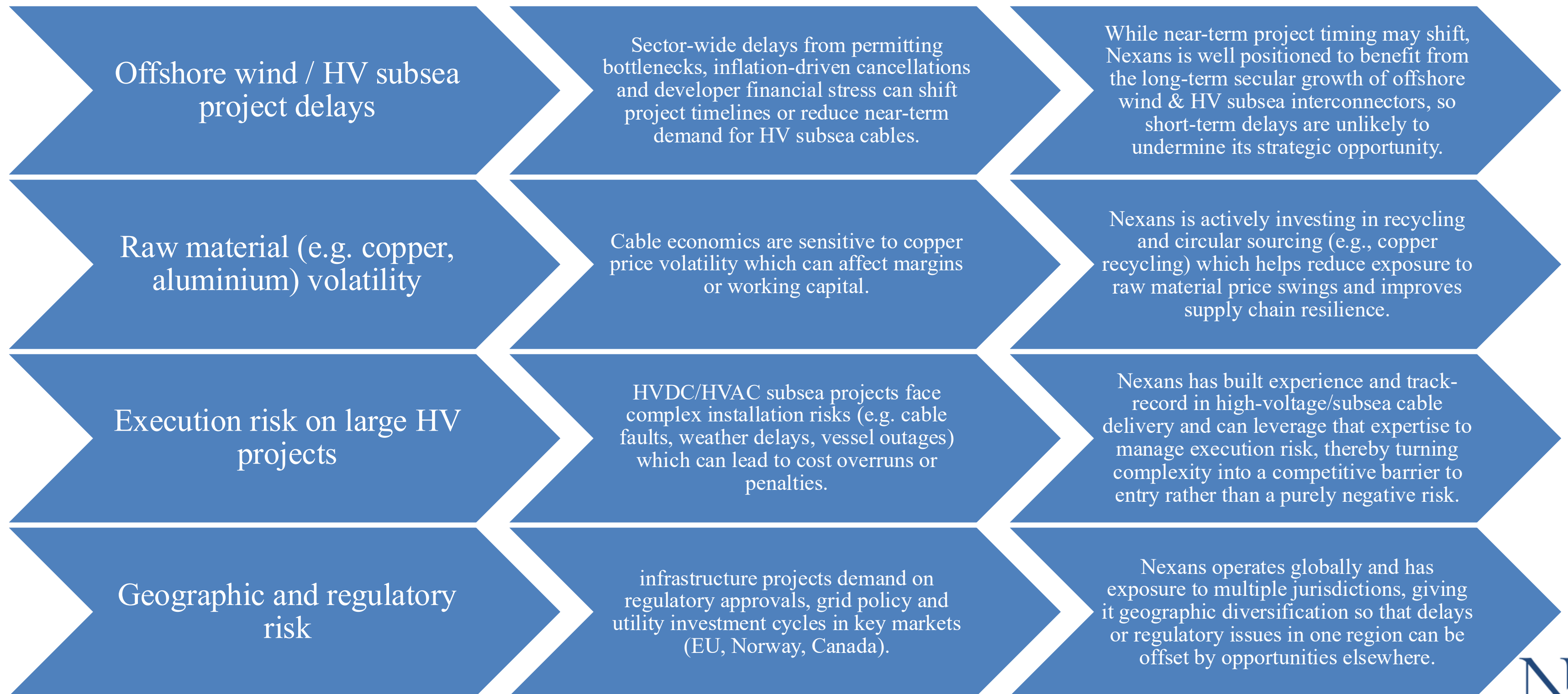
EQUITY VALUE

	Terminal Growth Rate				
	1.0%	1.5%	2.0%	2.5%	3.0%
WACC 6.2%	9,688	10,470	11,436	12,660	14,260
7.2%	8,231	8,754	9,376	10,129	11,059
8.2%	7,175	7,545	7,974	8,478	9,077
9.2%	6,375	6,648	6,958	7,315	7,728
10.2%	5,747	5,955	6,188	6,451	6,751

PREMIUM (DISCOUNT) TO CURRENT PRICE

	Terminal Growth Rate				
	1.0%	1.5%	2.0%	2.5%	3.0%
WACC 6.2%	75.6%	89.8%	107.3%	129.5%	158.5%
7.2%	49.2%	58.7%	70.0%	83.6%	100.5%
8.2%	30.1%	36.8%	44.6%	53.7%	64.6%
9.2%	15.6%	20.5%	26.1%	32.6%	40.1%
10.2%	4.2%	8.0%	12.2%	17.0%	22.4%

Risks and Mitigants



Appendix

Discounted Cash Flow Schedule

All numbers are in € millions except per share data

ASSUMPTIONS

First Year of Forecast	2025
Terminal Growth Rate	2.0%
WACC	8.2%

Risk free rate	3.46%
Equity risk premium	6.76%
Beta	1.06
Pre-tax cost of debt	4.06%
Effective tax rate	28.9%
Weight of equity	69.6%
Weight of debt	30.4%

ENTERPRISE VALUE

PV of Discrete	1,946	26%
PV of Terminal	5,457	74%
Enterprise Value	7,402	100%

EQUITY VALUE

Enterprise Value	7,402
Less: Net Debt	572
Equity Value	7,974

UNLEVERED FREE CASH FLOW

397 516 541 518 497

CASH FLOW PROFILES

Period	1	2	3	4	5	TV
Forecast	397	516	541	518	497	8,111
PV	367	441	426	377	334	5,457

Market cap	4,772
ST Debt	227
LT Debt	1,707

EQUITY VALUE PER SHARE

Equity Value	7,974
Shares Outstanding	(FD 000) 44
Equity Value	(EUR/sh) 182.28

PREMIUM (DISCOUNT)

Equity Value	(EUR/sh) 182.28
Current Price	(EUR/sh) 126.10
Premium (Discount)	44.6%

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