

Structured Equity Product: Legrand Core

Legrand (LR)

France | Euronext Paris | Electrical Equipment & Parts

2026-02-03

Legrand stock

12 M Target price:	~143.9€
DCF (90%)	~143.8€
P/E Multiple (10%)	~144.5€
Current price:	137.20€
Difference:	~5%

Legrand: Emerging AI Infrastructure Positioning

Legrand is a global French specialist in electrical and digital building infrastructure, with operations in nearly 90 countries and 38,000 employees worldwide.

Legrand has long anticipated market shifts, driving growth through nearly 200 acquisitions since 1954. With a focus on energy and digital transition accounting for 60% of acquired sales between 2020 and 2024 the company now extends this strategy into AI infrastructure.

Key insights

Data Centre Momentum: Massive investment is flowing into data centers because of raising demand for AI and deeper shifts like businesses moving everything to the cloud, the rollout of 5G, the need for tighter cybersecurity and climbing global data use.

Financial Resilience: Legrand sticks to its proven playbook: a mix of steady, internal growth and smart, self-funded acquisitions. By paying for these deals with its own cash instead of piling on debt, it sidesteps interest rate headaches and builds a durable business that can weather tougher economic times better than its more heavily-borrowed competitors.

Market Risk: Beta and Correlation in Stress Periods: Legrand's strong fundamentals and diversified growth drivers support long-term expansion, while disciplined operations and conservative financing provide resilience. Short-term beta spikes and higher correlations in crises may increase volatility, but do not undermine the company's intrinsic value.

Analyst

Hugo Fund Analyst

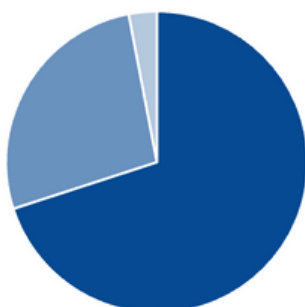
Market Data: Legrand

Exchange	EPA
Trading Currency	€
Share Class	Ordinary B
Shares OS	261,976,092
Market Cap	€35.540B
EV	€36.103B

Major Shareholders (votes): Legrand

Floating	96.98% (n.a.)
Managers and employees	2.99% (n.a.)
Self detention	0.03%

Portfolio Allocation



Engie: Energy Exposure in a Growing Infra. Market

Engie is a leading French energy company with stable operations in electricity, gas, and renewables. Rising energy demand from data centers and digital infrastructure supports growth, while operational flexibility and predictable cash flows provide stability and a defensive complement to growth-focused investments.

Legrand 140 ITM Put (~3%):

provides short-term downside protection around the February 12 earnings release, expiring February 20, limiting potential losses while keeping costs manageable.



Investment Thesis

Data Centre Momentum:

Driven by the acceleration of artificial intelligence, investments in data centres have grown exponentially over the past few years. According to J.P. Morgan, more than \$5tn is expected to be invested in data centres, AI infrastructure, and related power and electrical equipment over the next five years.

However, the data centre market is not only dependent on AI. Demand is also supported by long-term trends such as cloud migration, enterprise digitalisation, 5G deployment, edge computing, cybersecurity requirements, and the continued growth in global data consumption. As a result, data centres represent a diversified infrastructure asset class with multiple demand drivers.

Key Risks:

Energy intensity: Data centres require power often exceeding local capacity. This can increase operating costs, and create grid constraints.

Water usage: Cooling large-scale data centres consumes significant amounts of water. In water-stressed regions, this may limit capacity growth.

Financial Resilience: Legrand:

Legrand maintains a conservative profile: Historically recognized for its M&A expertise, the Group targets 6–10% annual revenue growth through 2030, supported by a combination of organic expansion and strategic acquisitions. In 2024, Legrand successfully integrated nine acquisitions, adding approximately €430 million in annual sales. By primarily self-funding these transactions through cash flow rather than heavy debt issuance, the company minimizes sensitivity to interest rate volatility.

Market Risk: Beta and Correlation in Stress Periods:

Despite Legrand's strong fundamentals and long-term structural growth drivers, the stock remains exposed to systemic market dynamics during periods of financial stress. Historical market episodes have shown that equity betas are not stable across cycles: in crisis environments, correlations between assets tend to increase, reducing the benefits of diversification.

Powering AI Infrastructure: Engie:

Engie's energy expertise aligns with the structural demand growth from data centers and digital infrastructure. The company provides integrated energy solutions across the full data center lifecycle, and has also partnered with hyperscale data center developers to co-locate AI-ready facilities with renewable and battery storage assets.

While pure-play tech stocks face volatile capex cycles, Engie provides stable, contracted cash flows through long-term power and infrastructure agreements with data centers. Its exposure is tied to ongoing energy consumption and less to volatile equipment spending. This makes Engie a natural portfolio stabilizer when paired with Legrand, smoothing out volatility from hardware investment cycles while still capturing the structural growth in data center power demand.



Company Overview: Legrand

Legrand is a global specialist in electrical and digital building infrastructures for the commercial, industrial, and residential sectors. With a presence in nearly 90 countries, the group has transitioned from a traditional hardware manufacturer into a leader in the digital and energy transition.

Strategic M&A Model:

Legrand's growth is supported by its consistent acquisition of small to mid-sized market leaders that complement its existing product range. Legrand focuses on acquisitions that can be quickly integrated into its global distribution network. This strategy allows the group to enter new markets with proven technology and existing customer bases.

Data Center Infrastructure Leadership:

Legrand has successfully positioned itself as a critical provider for the "grey" and "white" space of data centers, offering everything from power distribution units to server racks. As data centers become more energy-intensive due to AI workloads, Legrand's expertise in power quality and thermal management has become a competitive advantage. This segment now accounts for roughly 20–25% of total revenue, providing a powerful offset to the more cyclical trends found in the general residential and commercial construction markets.

Market Overview: Electrical Equipment & Parts

The global market for electrical and digital building infrastructure is undergoing a structural shift mainly driven by decarbonization and digitalization. This evolution is further accelerated by regulatory pressures in Europe and North America, such as the EPBD (Energy Performance of Buildings Directive), which mandates higher energy efficiency standards, creating a steady replacement cycle for Legrand's core products.

The most explosive segment of this market is the data center infrastructure sector, which is currently benefiting from an unprecedented capex cycle. The shift toward Generative AI requires significantly higher power density and more sophisticated cooling and power distribution than traditional cloud computing. Beyond AI, the long-term migration of enterprise workloads to the cloud and the expansion of edge computing ensure that the data center market remains a diversified, high-growth asset class for the foreseeable future.

Despite strong long-term drivers, the market is currently experiencing a period of uncertainty. Investor excitement around AI has led to rapid valuations in some technology and data-related sectors, creating comparisons to previous "bubbles" in the market. Broader economic concerns, rising interest rates, and volatility in assets like gold and commodities add to this cautious environment. While these factors can create short-term swings, the structural demand for electrical and digital building infrastructure, including data centers, will continue to support a steady revenue growth for companies like Legrand.

Structured Equity Proposal: Legrand Core with Energy Hedge

Legrand (~70%) is the main growth driver: Long-term trends such as digitalization, decarbonization, and data center expansion drive revenue growth thus providing substantial upside potential.

Engie (~27%) benefits from the AI-driven boom similar to Legrand, as data centers and digital infrastructure increase energy demand. However, the energy sector is less sensitive to market volatility because operators can adjust supply, shift usage, or redirect power.

Legrand Put 140 ITM (~3%) provides downside protection around the upcoming earnings release on February 12. The option expires on February 20, covering the immediate post-report period.

This allocation creates a portfolio with an adjusted beta approximately 12% lower than Legrand's standalone beta, reducing overall market sensitivity. Additionally, the inclusion of Engie enhances the portfolio's income profile through its higher dividend yield, adding a defensive component that is less sensitive to capex cycles.

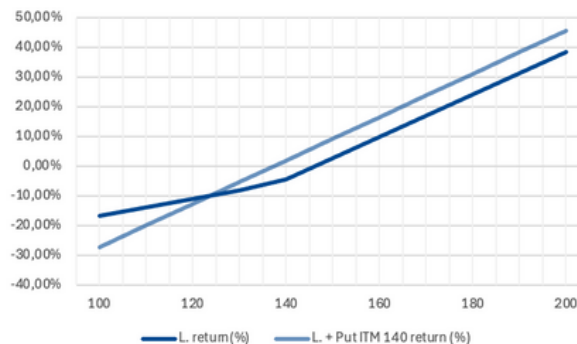
Legrand & Engie: Volatility Contrast in Daily Returns FY25



Legrand & Engie: Base 100 Comparison FY25



Payoff Profile with Protective Put ITM 140





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