Legrand valuation and acquisition analysis

George Dharma

I would negotiate the €500m asking price down to €489m or less. Legrand could fund the acquisition in the base case, but the target earns 9.48% against a 10% required return.

The target is a hypothetical electrical equipment business with €41.7m of annual operating earnings before interest, tax, depreciation and amortisation (EBITDA). The case assumes that Legrand buys it debt-free and cash-free. The price can therefore be tested independently of how Legrand splits the funding between cash and a new loan.

What sets the bid

Decision measure	Base case	Implication
Purchase price at a 10% return	**€489.1m**	**The asking price is €10.9m above the ceiling.**
Net present value at €500m	−€11.1m	Includes 2% transaction fees.
Annual savings needed at the ask	€9.4m	The operating plan delivers €8.0m.
Group net debt / EBITDA at closing	2.28×	Within the 2.5× management ambition.
Lowest target debt service cover	0.63×	Legrand supplies cash in the first two years.

A difference of €1.4m in annual savings looks modest. At the assumed ten-times exit multiple, however, the buyer pays today for savings that must build over four years and still exist at exit. I would keep that portion of the price contingent on savings actually delivered.

The buyer’s starting position

Legrand reported €8.33bn of sales in the first nine months of 2026, up 19.5%, with organic growth of 12.7%. Over the twelve months to September, it earned €2.54bn of EBITDA. Net financial debt of €5.37bn equalled 2.12× those earnings. This is the balance sheet used throughout the acquisition screen.[1]

The standalone discounted cash flow values the common shares at €86.30 each. The target’s savings and purchase price enter only the transaction analysis.[2]

1 Legrand, nine-month results, pp. 2, 5 and 8 · Legrand, investor debt and EBITDA reconciliation

2 George Dharma, Legrand valuation and acquisition analysis, Excel workbook, DCF and Target.

What the operating business is worth

My central estimate is €27.66bn for the operating business and €22.62bn for the common shares. It values Legrand's September 2026 operating base using five years of after-tax cash flows. Each forecast period ends in September.

I start from €10.84bn of trailing sales. Core sales growth cools from 7.5% to 3.5% over five years. Businesses already acquired add another 1.0 percentage point in the first year and 0.5 point in the second. This distinguishes sales already purchased from future acquisitions that would require new capital.[3]

Operating assumptions and outcomes	Year 1	Year 3	Year 5
Sales growth	8.5%	5.0%	3.5%
Operating margin after leases	18.8%	19.2%	19.3%
Sales	€11.76bn	€13.15bn	€14.16bn
Unlevered free cash flow	€1.46bn	€1.73bn	€1.89bn

DCF sensitivity · equity value per basic share

WACC / long-run growth	2.0%	2.5%	3.0%
7.0%	€102.41	€109.42	€118.14
8.0%	€82.20	**€86.30**	€91.18
9.0%	€67.76	€70.27	€73.18

The outlined €86.30 case discounts at 8.0%. Cash flows beyond year five supply 75.7% of enterprise value. Funding 2.5% perpetual growth at a 15% return on new capital takes one-sixth of after-tax operating profit.[4]

Lease costs remain in operating profit. I therefore deduct €4.90bn of net debt excluding leases, plus minority interests and the pension provision, then add €28.6m of other investments. Dividing by 262.09m basic shares keeps the convertible bonds in debt and uses the actual September share count.[5]

Historical trading context

At FY2025 year-end, Legrand traded at 17.6× after-lease EBITDA versus 18.0–21.4× for Schneider Electric, Eaton and Hubbell, with an 18.4× median. The multiples and the September DCF have different valuation dates.[6]

3 Legrand, FY2025 accounts, income and cash flow statements · Legrand, 9M 2026 accounts, pp. 2–5

4 George Dharma, Legrand valuation and acquisition analysis, Excel workbook, Controls, DCF and Sensitivities.

5 Legrand, 9M accounts, balance sheet and notes · Legrand, September share capital

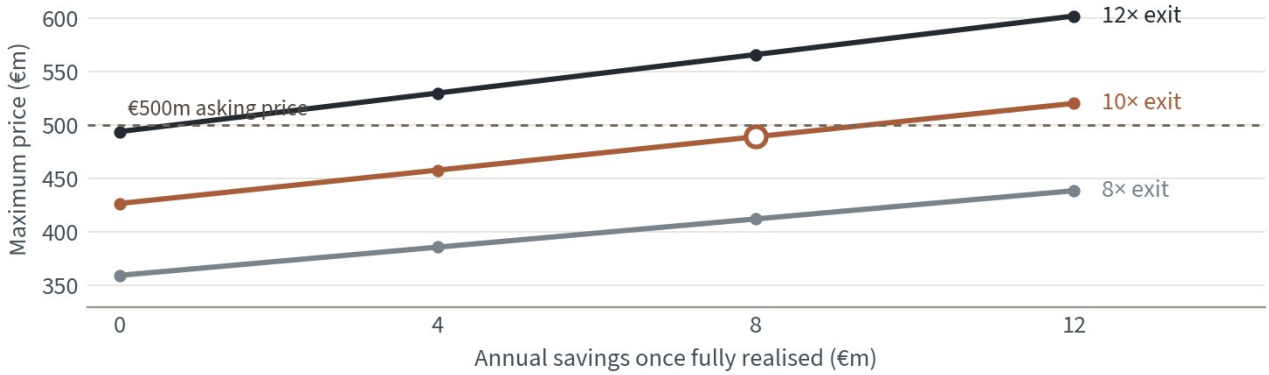
6 Schneider Electric, FY2025 accounts · Eaton, FY2025 annual report · Hubbell, FY2025 Form 10-K · Year-end share prices

What the target must deliver

With the exit multiple held at 10× and integration costs still paid, a target delivering no savings supports €426.6m. The €8m annual savings plan raises that ceiling by €62.5m. The seller's price requires €9.4m on the same timetable.

I assume sales grow from €208m at entry to €266m in year five. The standalone EBITDA margin moves from 20% to 21%. Legrand realises one-quarter of the annual savings in the first year, then adds another quarter each year. Integration costs €8m in year one and €4m in year two. The model gives no tax credit for those costs.

Maximum purchase price at a 10% required return



The outlined point marks the base case. Each line values the same forecast at a different year-five price relative to EBITDA. The purchase ceiling includes 2% transaction fees and a 1% cost on exit.[7]

At €8m of annual savings, an 8× exit supports €412m and a 12× exit supports €566m. The exit assumption matters more to the bid than a small change in the first year's margin. A purchaser intending to hold the business still needs to justify what the remaining cash flows would be worth after year five.

What buyers paid for related businesses

The €500m ask equals 11.2× the target's first-year standalone EBITDA. Four announced electrical equipment transactions give a median forward multiple of 12.4×. That makes the price look plausible by sector standards. The targets had different growth prospects and buyers used differing EBITDA definitions, so the deal cash flows still set my ceiling.[8]

7 George Dharma, Legrand valuation and acquisition analysis, Excel workbook, Sensitivities.

8 Eaton, Tripp Lite · Eaton, Royal Power Solutions · Hubbell, Systems Control · Eaton, Fibrebond

How much cash the acquisition needs

Legrand would draw €350.0m of new debt and contribute €163.5m of cash at closing. Those funds pay the €500m purchase price, €10.0m of transaction fees and €3.5m of loan fees. The target would then need a further €15.6m from Legrand before its own cash covers scheduled payments.

Target debt service	Year 1	Year 2	Year 3	Year 4	Year 5
Interest and scheduled principal	€32.8m	€32.0m	€31.3m	€30.4m	€29.4m
Cash available / debt service	0.63×	0.89×	1.16×	1.28×	1.36×
Additional cash from Legrand	€12.1m	€3.5m	€0.0m	€0.0m	€0.0m
Acquisition debt at year-end	€332.5m	€315.0m	€295.0m	€273.2m	€250.5m

The loan costs 4.37% in this illustration. It repays 5% of the original principal each year, plus half of surplus cash after scheduled debt service. The remaining €250.5m would absorb part of the sale proceeds or need refinancing at the end of year five.[9]

The balance sheet can absorb a smaller shock than the price suggests

Base closing net debt of €5.89bn leaves €555m of room under Legrand's 2.5× leverage ambition. An 8.8% fall in Legrand's trailing EBITDA would use up that room, holding price and opening target earnings fixed. At a 10% buyer earnings decline, closing leverage reaches 2.53×. Management's published range is a capital allocation objective. The amount a bank would actually lend depends on its terms.[10]

The group generated €747m after lease principal and ordinary dividends in the trailing year, while spending €2.24bn net on acquisitions. Those competing uses explain why headline cash generation alone is a poor borrowing limit.[11]

I would use €489m as the base-case price ceiling and reserve cash to support the target through the first two years of debt service. If the purchase price stays at €500m, the operating case needs at least €9.4m of annual savings or a different source of value that can be quantified.

9 George Dharma, Legrand valuation and acquisition analysis, Excel workbook, Funding.

10 Legrand, 9M results, capital allocation ambition, p. 5

11 Legrand, FY2025 cash flow statement · Legrand, 9M cash flow statement