

**nVent Electric PLC (NVT)**

Entry Price: \$106.02

*\*This contains backwards looking information. This pitch was prepared and internally stored on March 6th, 2026 and is now being prepared to be publicized as of May 28th, 2026***EXECUTIVE SUMMARY**

nVent Electric is a global provider of electrical connection and systems-protection solutions operating through two segments: Systems Protection (enclosures, power distribution, liquid cooling, switchgear/bus systems, and TRACHTE control buildings) and Electrical Connections (power connection, cable management, grounding). Brands include nVent CADDY, ERICO, HOFFMAN, ILSICO, SCHROFF, EPG, and TRACHTE. Shares trade at \$106.02 (~26x BF P/E, ~22x EV/EBITDA on LTM), having grown net sales +29.5% in FY2025 to \$3,893M with Q4 accelerating to +42% y/y. The market still prices NVT like a diversified industrial despite a data-center revenue mix racing toward >50%. **I recommend a LONG position with a 12-month price target of \$136 (+28%) on three pillars:**

- 1) **Valuation disconnect:** NVT trades roughly in line with diversified industrial/grid peers (Eaton ~26x, ABB ~27x, Hubbell ~24x, Legrand ~24x BF P/E) and at a steep discount to pure-play liquid-cooling names (Vertiv ~44x, Modine ~28x), yet it is the fastest grower in the cohort (+30% in 2025 vs single-to-low-double-digits for peers). As data-center mix crosses 50% in FY26 and the acquisition-driven growth de-risks, I expect the market to re-rate NVT toward 31-33x; above legacy industrials, below pure-plays.
- 2) **Hyperscalers must increasingly bring their own power:** The largest constraint to AI is grid power. The administration's Ratepayer Protection Pledge directs new data centers to fund their own generation which is a structural, not cyclical, shift already visible in Alphabet's \$4.75B Intersect Power acquisition and Blackstone's private-grid fund. Private developers don't manufacture the dense electrical stack these localized grids require; they outsource to companies like NVT. ERICO (grounding), HOFFMAN (enclosures), the EPG acquisition (switchgear/bus systems), and especially TRACHTE (one of the few prefabricated, customizable substation/control-building product on the market), give NVT a grid-to-rack stack the market has not repriced. This is also the bear-case hedge: if AI capex slows on power constraints, NVT sells the solution.
- 3) **Liquid cooling adoption plus a structural speed-to-market edge:** Only ~30% of data centers run liquid cooling today, but the thermodynamics are decisive (water moves ~3,300x more heat per unit volume than air), enabling rack densities to jump from 20-40kW to 100kW+. The engineering standard (leak-proof manifolds, cold plates, modular CDUs with zero failure tolerance) is a real barrier to entry that favors incumbents with a track record. With the industry supply-constrained (Eaton flagged a ~130bps margin drag ramping capacity), hyperscalers are diversifying vendors, and NVT's agility (a Minnesota facility operational in 100 days, a new CDU launched in 5 months, 86 new products in 2025 = 27% of revenue, spec'd into NVIDIA's GB200 and Google's Deschutes CDU) makes it best suitable to absorb the overflow.

*\*Post-pitch update (Q1 2026 actuals, reported May 1, 2026): NVT delivered Q1 net sales of \$1,242M (+53.5% y/y), versus my \$1,159M estimate and Street consensus of ~\$1,097M. My estimate sat above consensus and ~\$62M closer to the actual, though the print blew past both. Management raised FY26 organic guidance to 21-23% (from 10-13%) and reported growth to 26-28%, well above my \$4,789M (+23%) model and the Street's ~\$4,571M.*

## **EXPANDED THESIS**

### **1) VALUATION DISCONNECT**

NVT trades like a diversified industrial despite becoming a higher-growth, AI-levered company. Eaton (FY25 ~10%, FY26E 7-9%), Schneider (9% / 7-10%), Hubbell (4% / 7-9%), and Legrand (13% / 10-15%) all have data-center exposure, but NVT is the fastest grower in the group: +30% in 2025, with FY26 guided to 15-18% total (10-13% organic). The market is reading the recent ~+20% EPS growth as an unsustainable artifact of the TRACHTE and EPG acquisitions; my view is the opposite. The deals were well-timed to capture the regulatory push toward private grids and continue driving organic growth. Quantifying the gap: I model FY26 revenue of \$4,789M (+23% reported) against Street consensus of ~\$4,571M (~+17%) (roughly 4.8% above the Street) with the differential concentrated in Systems Protection, where I model Q1 2026 at \$1,159M versus consensus of ~\$1,097M (+5.6%). Consensus is anchored to a normalized industrial growth rate that the backlog and design-win pipeline have, in my view, already outrun. By vertically integrating TRACHTE substations/control buildings, HOFFMAN enclosures, EPG switchgear, and its own liquid cooling, NVT has built a unified grid-to-rack portfolio, and the \$2.3B backlog with Q4 +42% y/y growth is evidence the synergies are working. A premium multiple is not handed out for growth alone; NVT earns the 31-33x re-rate on (1) speed-to-market from vertical integration and the unique prefabricated TRACHTE product, (2) being spec'd in with Google and NVIDIA, and (3) distribution strength, ~50% penetration with the top-ten electrical distributors and the #2 enclosure positions in the US via HOFFMAN. The argument is not that NVT deserves Vertiv's ~44x; it is that a name with a pure-play-resembling mix, structural speed advantage, and penetrated distribution network should not trade at a legacy-industrial ~26x.

### **2) BIG TECH MUST BRING ITS OWN POWER**

Power, not chips, is the binding constraint on AI buildout, and public utility grids lack the supply and interconnection to serve hyperscale demand. The administration's Ratepayer Protection Pledge directs tech companies to pay for their own generation for new data centers; a structural shift already in motion (Alphabet's Intersect Power acquisition; Blackstone's private data-center/grid fund). These localized grids require a dense stack of engineered electrical hardware, and developers like Intersect outsource the components. Substations are the backbone: stepping voltage, routing power, housing protection systems, and they are engineered structures (transformers, breakers, busbars, relays), not commodities. NVT already manufactures several critical layers: ERICO (grounding/lightning protection, required in every outdoor install) and HOFFMAN (enclosures protecting control electronics in harsh environments). The TRACHTE acquisition (prefabricated, customized control buildings shipped for immediate on-site use, with no direct competitor) and EPG (voltage switchgear and bus systems, the hardware inside the substation) move NVT from supplying components to delivering vertically integrated infrastructure, reducing buyer complexity where construction timelines are unforgiving. This materially expands NVT's addressable market, and the market has not repriced it. Critically, it is the bear-case hedge: if AI capex stalls on power constraints, NVT sells the products that solve the constraint.

### **3) LIQUID COOLING RAMP AND SPEED TO MARKET**

Air cooling can no longer support data centers at maximum capacity, and while only ~30% have adopted liquid cooling today (high upfront cost), it is the cheaper long-run option and adoption is accelerating. The physics is the driver: water carries ~3,300x more heat per unit volume and offers far higher heat-transfer coefficients than air, allowing rack densities to rise from 20-40kW to 100kW+, generating more compute and revenue per building. Liquid cooling is also far harder to engineer than air: cold plates, leak-proof manifolds, and modular CDUs operating at high density with zero margin for

error, requiring years of R&D. NVT's decade-plus of experience is a structural advantage, creating technical barriers to entry that favor proven, reliable suppliers as hyperscalers standardize. With the industry supply-constrained (Eaton warned of a ~130bps margin drag ramping capacity) and hyperscalers diversifying away from single-vendor bottlenecks, NVT can capture the overflow through agility: a Minnesota facility operationalized in 100 days, a new CDU launched in 5 months, 86 new products in 2025 (27% of total revenue), backlog +300% y/y, organic revenue +24%, and a healthy 1.3x book-to-bill. NVT is not merely catching spillover, its existing relationships put it spec'd into NVIDIA's GB200 and Google's Deschutes CDU, supporting a re-rate toward its AI-infrastructure peers.

## VALUATION

Valuation is anchored on a P/E re-rating, cross-checked against EV/EBITDA and a DCF (WACC 13.3%). At ~26x BF P/E, NVT is priced as a legacy industrial; the thesis is that a >50% data-center mix, fastest-in-cohort growth, and structural advantages pull the multiple toward pure-play-adjacent levels.

- Bear (~26x P/E, no re-rate): mix shift stalls, tariffs compress margins, competitors take share → ~\$106 (flat)
- Base (~31-33x P/E): thesis plays out, data-center mix crosses 50%, market de-risks the acquisition story → ~\$136 PT
- Bull (DCF / ~24x EV-EBITDA): liquid-cooling and private-grid demand compound, full multiple convergence → ~\$160-180

12-month price target: \$136 (+28%).

## CATALYSTS

- NVT Q1 2026 earnings (early May 2026): organic growth, data-center mix %, backlog, book-to-bill, margin/tariff commentary
- Hyperscaler capex updates (MSFT, GOOGL, AMZN, META): private-grid and liquid-cooling demand signals
- New design wins / CDU spec-ins at NVIDIA and Google
- M&A / leverage updates: management has signaled 2-2.5x target from ~1.6x, implying further acquisitions

## KEY RISKS

- **Input-cost / tariff exposure:** Copper is a major input across enclosures and electrical connections, so tariff escalation could pressure margins; NVT can raise prices, but the lag between cost increases and pricing recovery can compress near-term profit. **Mitigant:** the model deliberately carries below-consensus EBIT and FCF margins to absorb this, and NVT's distribution position supports pricing pass-through over a 12-month horizon.
- **Energy-supply lock-ups:** Most of NVT's growth depends on data-center projects that require significant power. If utilities restrict availability or grids fall short, project timelines slip and revenue/cash-flow recognition is delayed, hurting near-term earnings even if long-term demand persists. **Mitigant:** this is partially self-hedging; the same power constraint drives the private-grid demand (Thesis Two) that NVT's substation stack serves.
- **Market-share dilution:** As Eaton, Vertiv, and others invest heavily in liquid cooling, NVT must keep executing its shift toward high-growth data-center infrastructure. If competitors innovate faster, undercut on price, or bundle more efficiently, NVT could lose share in key markets. **Mitigant:** vertical integration (grid-to-rack), the unique TRACHTE product, and entrenched hyperscaler/distributor relationships raise switching costs and defend share.

