Nexa Technologies, Inc. (NEXA)

Equity Research • Initiation of Coverage

Industry: Enterprise Cloud Services & Orchestration | Exchange: NYSE

BUY

Target Price: $145.00

Current Price: $118.50

Upside Potential: +22.4%

INVESTMENT THESIS

Accelerating Enterprise Cloud Orchestration Leadership: Nexa Technologies (NEXA) has emerged as the clear market leader in enterprise-grade AI orchestration and cloud computing scheduling layers. Through its proprietary Nexa Flow and Nexa Core architectures, the company manages critical infrastructure pipelines for over 45% of the Fortune 500.

Strong Operating Leverage & Margin Expansion: Nexa's subscription-based SaaS model boasts a gross margin of 75.5%, which we project will expand to 77.0% by FY28E. Operating leverage is beginning to manifest as S&M expenses scale down as a percentage of sales, driving EBITDA margins from 22.0% in FY24A to 28.0% by FY28E.

Unlocking Value via Nexa Intelligence: The upcoming release of Nexa Intelligence (v4.0) in Q3 FY26 is expected to act as a significant growth catalyst. The platform implements generative AI-powered automated recovery and system diagnostics, allowing clients to reduce IT maintenance overhead by up to 30%. We anticipate this product will add 150–200 bps to net expansion rates.

KEY FINANCIAL ESTIMATES

Metric	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue ($M)	845.2	1,120.5	1,485.0	1,930.0	2,450.0
YoY Growth (%)	28.4%	32.6%	32.5%	30.0%	26.9%
Gross Margin (%)	74.2%	75.5%	76.2%	76.8%	77.0%
EBITDA ($M)	225.9	318.9	446.1	591.1	766.0
EBIT ($M)	185.9	268.9	386.1	521.1	686.0
Net Income ($M)	149.4	216.0	309.8	418.0	549.8
EPS ($)	1.25	1.80	2.58	3.48	4.58
P/E (x)	94.8x	65.8x	45.9x	34.1x	25.9x

VALUATION & TARGET PRICE

Our 12-month target price of $145.00 is based on a dual-methodology framework using a Discounted Cash Flow (DCF) model and a relative EV/EBITDA multiple analysis:

- **DCF Valuation ($148.00 per share):** Assumes a Weighted Average Cost of Capital (WACC) of 8.8% reflecting Nexa's low cost of debt, a terminal growth rate of 3.5%, and a 10-year projection period. Cash flows are discounted from FY26E to FY35E.
- **Relative Multiple ($142.00 per share):** Based on a target FY27E EV/EBITDA multiple of 26.0x, representing a justified premium to peers (trading at an average of 21.5x) due to Nexa's superior margin profile and higher growth trajectory.

MARKET DATA

52-Week Range	$92.00 – $124.50
Market Cap ($B)	$14.22
Shares Out (M)	120.0
Free Float (%)	88.5%
Avg Daily Vol (M)	1.25
Dividend Yield (%)	0.84%
Beta	1.24
Fiscal Year End	Dec 31

12-MONTH PERFORMANCE

RESEARCH CONTACTS

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OPERATIONAL REVIEW

Nexa operates through three core software segments:

- **Nexa Core Platform:** The foundation of Nexa's cloud software suite. Core platform license revenues grew 31.4% year-over-year in FY25, supported by the deployment of cloud-native clusters at major enterprise banks.
- **Nexa Flow:** An event-driven data pipeline orchestrator. Flow provides data ingestion management at sub-millisecond latencies, which has driven massive adoption among autonomous shipping and logistics customers.
- **Nexa Intelligence:** A new artificial intelligence telemetry layer. Intelligence monitors infrastructure workflows, auto-detecting and patching pipeline leaks. We estimate this segment will drive 30% of new revenue by FY28E.

INVESTMENT RISKS

Despite our positive view, we highlight several core risks:

- **Competitive Pressures:** Large hyperscaler vendors (such as Vertex Cloud and Apex Systems) have announced similar automated orchestrators, which could trigger pricing compression.
- **International Execution:** Nexa's expansion into European and Asian markets is capital intensive. Any delays in localized hiring or regulatory clearance could suppress margin growth in the mid-term.
- **Hyperscaler Concentration:** Over 60% of Nexa's cloud deployments reside on two large cloud providers. Changes in infrastructure hosting pricing present gross margin risk.

FINANCIAL PROJECTIONS & INCOME STATEMENT MODEL

Fiscal Year End (USD Millions)	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue by Segment					
Nexa Core Platform	540.2	710.5	920.0	1,180.0	1,480.0
Nexa Flow	185.0	260.0	365.0	490.0	640.0
Nexa Intelligence	120.0	150.0	200.0	260.0	330.0
Total Revenue	**845.2**	**1,120.5**	**1,485.0**	**1,930.0**	**2,450.0**
YoY Growth (%)	*28.4%*	*32.6%*	*32.5%*	*30.0%*	*26.9%*
Cost of Goods Sold (COGS)					
Hosting & Infrastructure	(128.0)	(165.0)	(210.0)	(265.0)	(325.0)
Professional Services & Support	(90.0)	(110.0)	(143.0)	(182.0)	(238.0)
Gross Profit	**627.2**	**845.5**	**1,132.0**	**1,483.0**	**1,887.0**
Gross Margin (%)	*74.2%*	*75.5%*	*76.2%*	*76.8%*	*77.0%*
Operating Expenses (OpEx)					
Research & Development (R&D)	(185.0)	(240.0)	(310.0)	(390.0)	(480.0)
Sales & Marketing (S&M)	(210.3)	(272.6)	(352.0)	(448.0)	(558.0)
General & Administrative (G&A)	(46.0)	(64.0)	(83.9)	(123.9)	(163.0)
Operating Income (EBIT)	**185.9**	**268.9**	**386.1**	**521.1**	**686.0**
Operating Margin (%)	*22.0%*	*24.0%*	*26.0%*	*27.0%*	*28.0%*
Depreciation & Amortization (D&A)	40.0	50.0	60.0	70.0	80.0
EBITDA	**225.9**	**318.9**	**446.1**	**591.1**	**766.0**
EBITDA Margin (%)	*26.7%*	*28.5%*	*30.0%*	*30.6%*	*31.3%*
Interest Expense	(2.0)	(2.0)	(2.0)	(2.0)	(2.0)
Pretax Income	**183.9**	**266.9**	**384.1**	**519.1**	**684.0**
Income Tax Expense	(34.5)	(50.9)	(74.3)	(101.1)	(134.2)
Effective Tax Rate	*18.8%*	*19.1%*	*19.3%*	*19.5%*	*19.6%*
Net Income	**149.4**	**216.0**	**309.8**	**418.0**	**549.8**
Net Margin (%)	*17.7%*	*19.3%*	*20.9%*	*21.7%*	*22.4%*

ANALYST CERTIFICATION & DISCLOSURES

Analyst Certification: The lead research analyst, Sarah Jenkins, CFA, certifies that all of the views expressed in this research report accurately reflect her personal views about the subject securities or issuers. No part of her compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this research report.

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