May 5, 2014

Europe

Strategy Matters

Portfolio Strategy Research

Where has all the value gone?

We recently raised our long-term price targets for the market, expecting a lower ERP and better growth to boost stock prices. However, we often hear that investors struggle to find value at the stock level given that so much that was value has risen sharply in the last year or two. In early 2013, 21% of stocks in the STOXX Europe traded below 10x 12m forward P/E; now just over 7% do. We find that dispersion of valuation between stocks has narrowed, mirroring a similar narrowing in dispersion in European bond markets.

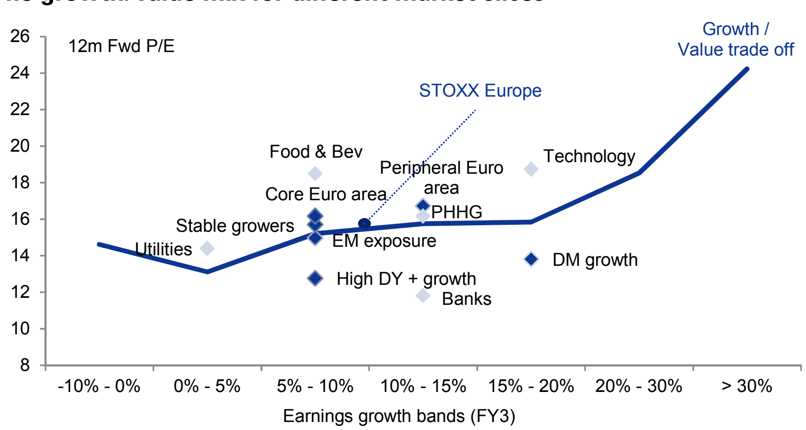
Stocks valued more alike...and it's likely to stay that way

We think dispersion of valuation across stocks will stay low; it has tended to rise only during crisis periods – recessions, the sovereign crisis. The preponderance of cash on balance sheets and ease of raising finance currently militates against any particular stocks becoming very cheap. This combined with lower tail risks and the likelihood that growth is neither especially stellar nor very weak means that valuations across the market will likely stay within a tight range, just as they did in the mid to late 2000s.

...but good combinations of growth/value are still available

But, as was the case in the mid-2000s, that does not mean there is no value to find or that the market cannot progress from here; indeed, we think cyclical stocks with DM-based exposure (such as our GSSTDMGR basket) have excellent earnings upside and a good mix of value and growth. The same is true of companies with high yields and the ability to grow dividends (GSSTHIDY). Both trade on lower multiples than expected for their growth.

The growth/value mix for different market slices



I/B/E/S, Datastream, Goldman Sachs Global Investment Research.

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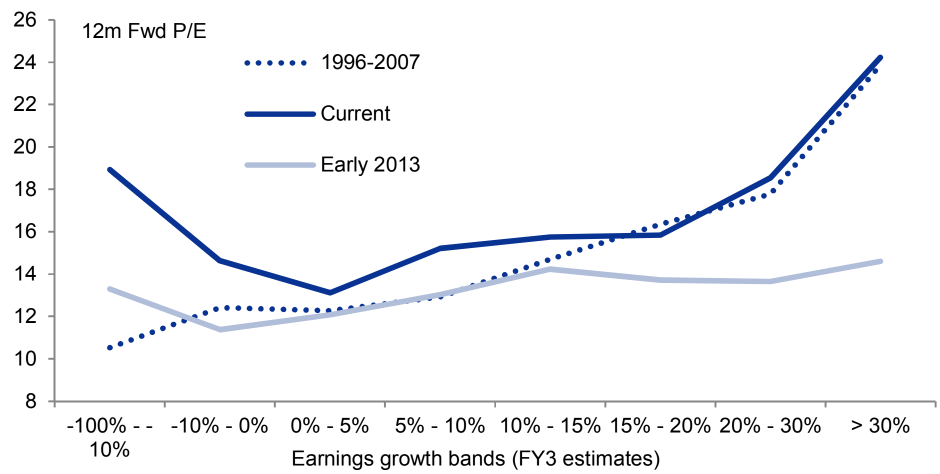
Where has all the value gone?

At the index level, we expect a combination of stronger earnings growth and a lower risk premium to continue to drive European equities upwards, and we have recently raised our longer-term projections – see *Strategy matters: Options for the Long Good Buy,* April 28, 2014. However, we often hear that investors struggle to find value at the stock level given that so much that was 'value' has risen sharply in the last year or two. So is there any value left? In our view, the simple answer is yes but not in the same places or to the same extent as there was in the early part of 2013.

No more curious incident

We published several pieces in 2012 and 2013 looking at what we described as *'The curious incident of the growth that wasn't valued'* – the fact that companies estimated to have huge earnings rebounds several years out were on market average multiples rather than a premium as they would have more typically been. As shown in Exhibit 1, companies with earnings growth of 20%-30% or even greater were on 12m forward P/Es on average of just 12-13x back in early 2013. The growth curve, the price paid for each incremental improvement in earnings growth, was almost completely flat; investors had a lack of faith that this recovery would materialize and the risks were still perceived as too high. **But this has clearly changed; the dark blue line shows that the growth curve has both shifted upwards – all stocks have become more expensive – and steepened considerably – the higher earnings growth areas have risen most in valuation.**

Exhibit 1: The 'growth curve' has shifted up and become steeper as investors are now rewarding high EPS growth…
Average P/E for stocks in different bands by FY3 consensus earnings growth



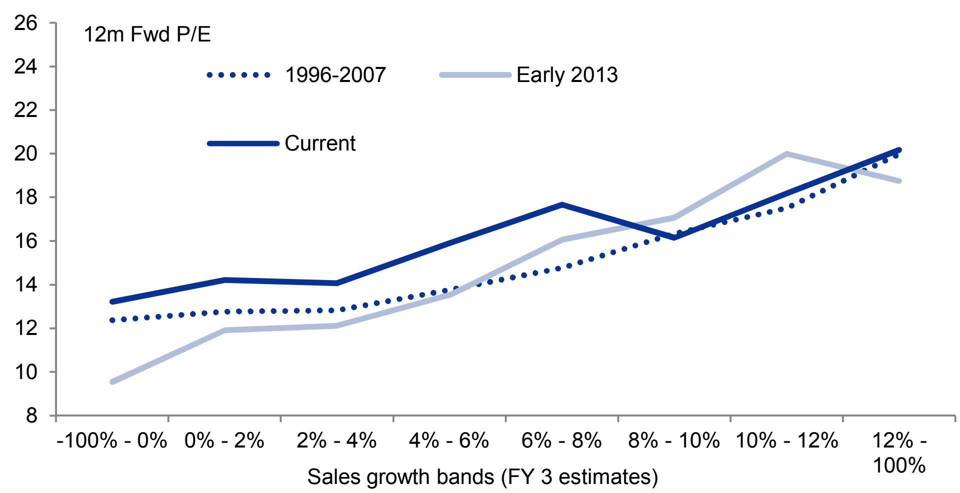
Source: I/B/E/S, Datastream, Goldman Sachs Global Investment Research.

Back in 2012 and early 2013, people were paying for some stocks; they were paying for top-line growth. The stability or reliability of high sales growth made it very desirable in an environment of contracting demand and heightened economic and political risks. But as aggregate demand has bottomed and started to expand slowly, and risks of a sovereign crisis have diminished hugely, the relative attractions of steady top-line growth have receded. This has been helped along by the fact that much of the top-line growth was EM-demand driven, something which both ourselves and investors have become more skeptical about.

Stocks valued more and more alike

Exhibit 2 shows the valuation placed on different bands for FY3 sales growth. The companies in the highest bands for expected sales growth have not seen their valuation shift – they remain on high 12m forward P/Es of 15-18x, as they were early in 2013 – but in the meantime the market has re-rated along with the strongest earnings growth companies, which often do not have top-line growth but do have strong potential for margin rebound. Hence companies in the lower sales growth bands have been re-rated while those with the highest sales growth have seen static valuations. **The consumer staples are good examples of this; the forward P/E for food & beverages was 18.2x in January 2013 and is 18.5x today.**

Exhibit 2: Stocks in the highest bands for sales growth have not re-rated
Average P/E for stocks in different bands by FY3 consensus sales growth



Source: I/B/E/S, Datastream, Goldman Sachs Global Investment Research.

In contrast, other sectors such as banks, autos and basic resources which were trading on very low multiples in early 2013 (7-9x forward earnings) have re-rated and now trade at between 10.5x and 12x.

The same pattern in bonds and equities

The same has been true in the bond market where yields on 5-year Italian and Spanish bonds have fallen to around US levels and spreads with Germany and other core countries have come down considerably. Exhibit 3 shows the spread of valuations across European bond markets and the spread of valuation across European equity sectors. Both have fallen sharply in the last two years, and while this measure of dispersion is not quite back to pre-crisis levels for bond yields, we find that dispersion of valuation across European equity sectors has fallen back to pre-crisis lows.

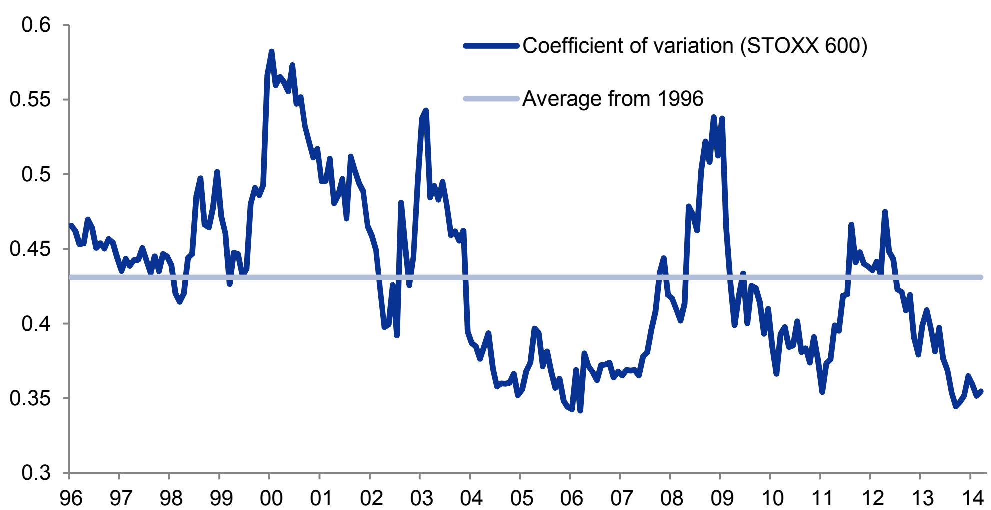
We think it is likely that dispersion of valuation will stay low; historically it has tended to rise only during crisis periods – recessions, the GFC, the sovereign crisis in Europe. The exception to this was the TMT boom in the late 1990s when dispersion rose across sectors, fuelled by concerns that outcomes for long-term growth would be dramatically different across industries depending on whether they were in the old or new economy.

Exhibit 3: Valuation spreads have fallen across bonds and equities
For bonds = st. dev. of 10-year bond yields across Europe divided by the average yield, For equities = st. dev. of 12m fwd P/Es across the STOXX 600 divided by the average

Source: I/B/E/S, Datastream, Goldman Sachs Global Investment Research.

A pick-up in M&A would tend to keep dispersion of valuation relatively low (it didn't in 1999-00 but again we see this as an exception). We expect M&A activity to rise from a low base over the next few years, forecasting 28% and 21% growth in 2014 and 2015, respectively, see *Show me the money Part 2: Returning to investing?,* February 27, 2014. In the LBO/private equity driven boom in 2005-08, very few companies could sustain low valuations as in doing so they quickly became bid targets. The preponderance of cash on companies' balance sheets and ease of raising finance currently again militates against any particular stocks becoming very cheap. This combined with lower tail risks and the likelihood that economic growth is neither especially stellar nor very weak means that valuations could stay within a tight range across sectors and stocks, as they did in the mid to late 2000s.

Exhibit 4: Dispersion of valuation has fallen as tail risks have diminished
Coefficient of variation = St. dev. of 12m fwd P/Es across the STOXX 600 divided by the average



Source: I/B/E/S, Datastream, Goldman Sachs Global Investment Research.

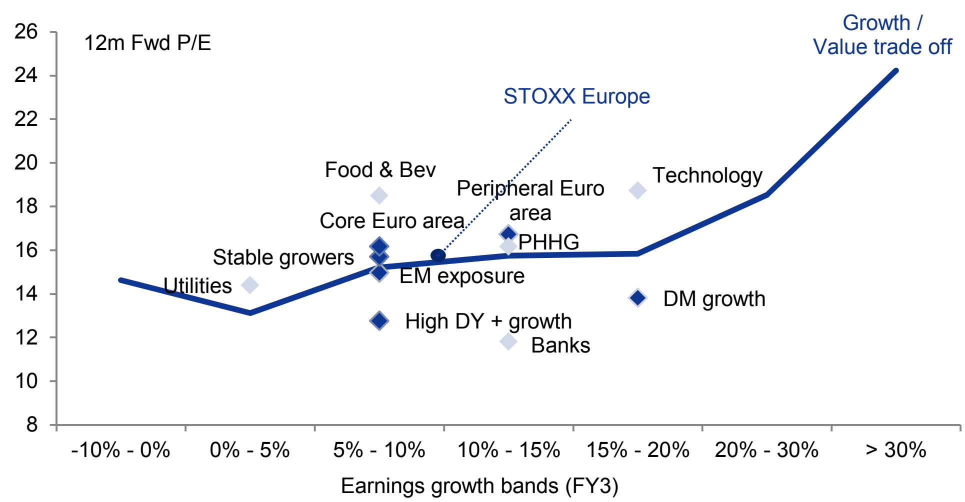
Looking at the slices to find growth that has not been priced

Now we are at a cross roads, it is no longer true that the market is ignoring high earnings growth driven by cyclical catch-up, margin recovery or lower provisioning, as was the case in 2012 and early 2013. These have started to be priced in.

While the environment might not be exactly as it was in 2004-08, there are parallels – growth is strong and rates are relatively low but likely to rise from here. **During 2004-08, the valuation placed on high earnings growth potential driven by cyclical recovery remained relatively high. And we think that will be true today as well. Given this, we would continue to have a preference for cyclical growth stories.**

Exhibit 5 shows the trade-off between growth and valuation for several different slices of the market. The line shows the average valuation for different growth bands for all the stocks in the STOXX Europe index and the dots represent the average value/growth trade-off for our thematic baskets and some select sectors.

Exhibit 5: The growth/value mix for different market slices...
Average earnings growth for FY3 compared with 12m fwd P/E for different baskets



Source: I/B/E/S, Datastream, Goldman Sachs Global Investment Research.

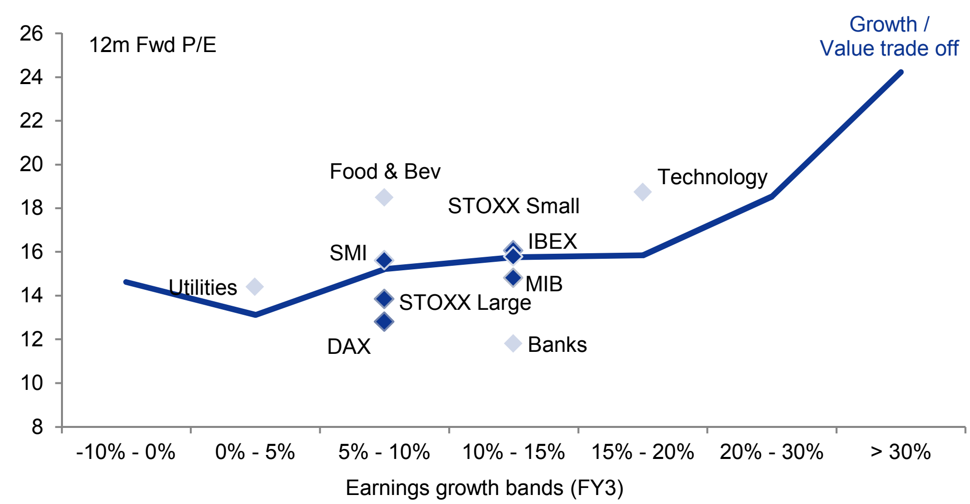
We continue to see several areas were the growth/value mix looks attractive:

- **Companies in our DM growth basket (GSSTDMGR) have one of the most attractive combinations of growth and value.** These companies are selected on the basis of having 75% or more of their sales in developed markets and a high beta of their earnings to DM GDP growth. The average 12m forward P/E of these stocks is 13.7x with FY3 growth expected to be 15% by I/BE/S consensus. Indeed, the trade-off they provide is similar to the ones provided by stocks in early 2013 when so much of the market provided good potential for turnaround. We continue to recommend this basket – the constituents can be found in Appendix 1 on page 8.
- **Our high dividend yield plus growth basket (GSSTHIDY) also has a very good trade-off between growth and value, with an average expected FY3 growth rate of 7.8% and a forward P/E of just 12.7x**. We see these stocks as benefiting from both the attractive mix of growth and value and the continued search for yield. In addition, we expect companies to continue to grow cash returned to shareholders (in addition to picking up M&A) and these stocks are one way of

playing that theme. See *Show me the money Part 1: Cashback,* February 7, 2014. The constituents can be found in Appendix 2 on page 9.

- **Banks remain one of our favoured ways of playing the cyclical recovery in Europe** – they are one of the most geared sectors to a pick-up both in growth and confidence. Earnings remain well below trend (even abstracting for the boom in the very late 2000s) and there is plenty of room for these to normalize over the next few years. The ECB's AQR and stress test should enhance the transparency of banks' capital positions and ultimately we think single supervision should enhance profitability for Europe-wide banks as they should be able to originate assets in peripheral Europe while funding them more cheaply through their core businesses. The growth/value trade-off shown in Exhibit 6 still looks attractive, in our view.
- **The DAX also has an attractive mix of growth and value with earnings expected to expand as economic growth improves.** In addition, we no longer expect the euro to rise versus the dollar given the recent shift in ECB rhetoric on policy and the exchange rate which should remove what we see as one of the impediments to DAX performance. That said, risks around Ukraine may still weigh on the index.

Exhibit 6: ...the growth/value mix for size, sectors and countries
Average earnings growth for FY3 compared with 12m fwd P/E for different baskets



Source: I/B/E/S, Datastream, Goldman Sachs Global Investment Research.

There are also several areas that look more mixed on the growth/value trade-off where we would either recommend shorts/underweights or that investors are more selective:

- Stocks in our **peripheral Euro area** basket (GSSTPEMU) have higher growth expected than on average for the market, 13.5% for FY3, reflecting the low starting base for earnings and the potential for turnaround now that economic conditions are improving. But the valuation is arguably reflecting this, with a 12m forward P/E on average of 16.3x for the stocks in our basket. This suggests that there is little or no additional risk premium embedded in the valuations of these companies for the risks of being in peripheral Europe. We have mentioned previously that we think investors should be selective in these stocks rather than buy the indices or entire groups of companies – see *Strategy Matters: Momentum, rotation and the gradual grind higher,* April 10, 2014.

- The **IBEX and MIB** have both risen rapidly in the last couple of years as bond spreads narrowed and economic growth showed signs of recovery. The latest data shows that Spanish GDP expanded by 0.4% in 1Q – likely to be similar to the Euro area average. As we discussed in *Strategy Espresso: Choosing a slice of Italy,* March 11, 2014, we think the indices themselves offer less value than some of the opportunities beneath the index. In aggregate, they do not look expensive on their mix of growth/value but we see better opportunities.
- Our **EM-exposure** basket (GSSTBRIC) has expected earnings growth of 7.9% in FY3 – about average for the market – and is on a 12m forward P/E of 14.3x. We see this basket as being roughly fairly valued for the expected growth, although we would be concerned by mounting risks to China growth views due to credit sustainability and potential housing market stresses as well as continued EM pressure due to a rising US rate environment which we expect in coming months.
- **Stable growers** (GSSTGRTH) are companies with a track record of good sales, earnings and ROE and not too much volatility in these. Their average EPS growth in FY3 is only expected to be 8.6% – a little above the market average – but given their historical ranges, we would see this outcome as low risk hence the average 12m forward P/E of the basket of 15.6x is not in our view excessive.
- **Food & Beverages** may not have re-rated over the last couple of years but it still looks expensive based on the mix of expected growth in earnings and value. In addition, it remains very exposed to EM FX moves which we see as a continued headwind; we remain underweight the sector.
- **Large vs. Small:** There is probably slightly more value in large caps than small caps given the performance of small caps in recent years and the re-rating they have seen. STOXX large caps look to have a pretty good growth/value mix in aggregate – although as this is weighted by earnings this will be distorted by heavy weights in oils and banks. Also small caps will tend to benefit more than the large caps from many of the trends we expect over the next year – the economic recovery in Europe, potentially more policy support from the ECB targeted at credit easing for those that find credit availability limited, and small caps have generally less exposure to EM. Overall, we do not have a strong size preference.

Appendix 1: DM Growth basket (GSSTDMGR)

Exhibit 7: Constituents of the DM Growth basket (Bloomberg ticker: GSSTDMGR)

DM Exposure (GSSTDMGR)						
Company Name	**Basket Weights**	**Country**	**Market Cap (€ Bn)**	**12m forward P/E**	**DM Exposure**	**Beta to DM GDP**
Automobiles & Parts	**5.1%**					
Peugeot	2.6%	France	6.3	NA	73%	11.1
Renault	2.6%	France	20.7	8.5	84%	23.2
Banks	**10.3%**					
Commerzbank	2.6%	Germany	14.6	14.5	98%	27.5
Dnb	2.6%	Norway	20.8	8.9	82%	14.3
Mediobanca Bc.Fin	2.6%	Italy	6.9	12.0	100%	16.1
Royal Bank of Scotland	2.6%	United Kingdom	23.3	13.7	90%	20.6
Basic Resources	**5.1%**					
Salzgitter	2.6%	Germany	1.8	35.8	85%	28.7
Upm-Kymmene	2.6%	Finland	6.7	12.8	79%	16.6
Chemicals	**5.1%**					
Dsm Koninklijke	2.6%	Netherlands	9.4	15.6	80%	15.0
Umicore	2.6%	Belgium	4.2	18.6	88%	22.0
Construction & Materials	**5.1%**					
Ferrovial	2.6%	Spain	11.7	30.6	80%	13.6
Saint Gobain	2.6%	France	24.4	16.2	80%	15.2
Financial Services	**2.6%**					
3I Group	2.6%	United Kingdom	4.5	7.8	90%	18.9
Industrial Goods & Services	**20.5%**					
Bae Systems	2.6%	United Kingdom	15.5	10.0	77%	12.7
Deutsche Post	2.6%	Germany	32.8	15.3	81%	15.1
Dsv A/S	2.6%	Denmark	4.2	16.1	92%	9.5
Georg Fischer 'R'	2.6%	Switzerland	2.3	13.7	80%	25.2
Randstad Holding	2.6%	Netherlands	7.4	14.2	91%	10.8
Rexel S.A.	2.6%	France	5.2	13.5	90%	11.3
Scania 'B'	2.6%	Sweden	8.7	21.4	76%	15.3
Wolseley	2.6%	United Kingdom	11.2	15.7	94%	19.4
Insurance	**5.1%**					
Aviva	2.6%	United Kingdom	18.9	10.8	98%	12.9
Ing Groep N.V.	2.6%	Netherlands	39.5	9.3	82%	22.8
Media	**10.3%**					
British Sky Bcast.Group	2.6%	United Kingdom	17.2	14.0	94%	8.0
Schibsted	2.6%	Norway	4.5	40.3	96%	19.0
Ubm	2.6%	United Kingdom	2.0	12.8	75%	20.1
Wolters Kluwer N.V.	2.6%	Netherlands	6.1	12.5	94%	11.6
Personal & Household Good:	**7.7%**					
Barratt Developments	2.6%	United Kingdom	4.4	9.6	100%	17.6
Persimmon	2.6%	United Kingdom	4.9	11.3	100%	7.1
Taylor Wimpey	2.6%	United Kingdom	4.2	9.5	100%	13.9
Real Estate	**5.1%**					
Corio Nv	2.6%	Netherlands	3.3	13.3	93%	19.5
Hammerson	2.6%	United Kingdom	5.0	22.7	100%	27.5
Retail	**2.6%**					
Kingfisher	2.6%	United Kingdom	12.1	15.3	82%	12.9
Technology	**7.7%**					
Atos	2.6%	France	6.1	13.6	79%	7.0
Arm Holdings Plc	2.6%	United Kingdom	15.2	34.8	100%	9.7
Capgemini S.A.	2.6%	France	8.2	14.1	97%	11.7
Telecommunications	**2.6%**					
Bt Group	2.6%	United Kingdom	36.4	13.1	83%	13.5
Travel & Leisure	**5.1%**					
Accor	2.6%	France	8.0	20.9	82%	13.8
Deutsche Lufthansa	2.6%	Germany	8.3	7.7	77%	18.5
Median			**8.0**	**13.7**		

Source: Bloomberg, Goldman Sachs Global Investment Research.

Appendix 2: High Dividend Yield + Growth basket (GSSTHIDY)

Exhibit 8: Constituents of the High Dividend Yield + Growth basket (Bloomberg ticker: GSSTHIDY)

HIGH DIVIDEND YIELD AND GROWTH BASKET (GSSTHIDY)

Company name	Weight	Market cap (€Bn)	Beta (6 month)	Dividend yield		DPS growth (forecast)			DPS growth (implied)		Payout ratio		Free cash flow cover		Net debt/EBITDA		5 year CDS
				2014E	2015E	2014E	2015E	2013-15E	2014	2015	2014E	2015E	2014E	2015E	2014E	2015E	
Automobiles & Parts	**6.8%**																
BMW	2.3%	58.1	1.20	3.3%	3.9%	15.4%	16.7%	**34.6%**	7.2%	2.6%	32%	34%	1.7x	1.4x	-0.7x	-0.7x	21 bps
CNH Industrial	2.3%	11.3	1.35	2.4%	3.0%	0.0%	25.0%	**25.0%**			34%	26%	1.7x	1.4x	0.6x	0.5x	169 bps
Daimler AG	2.3%	71.2	1.67	3.4%	4.5%	2.2%	30.4%	**33.3%**	-1.4%	-3.7%	61%	38%	0.7x	2.0x	-1.6x	-1.0x	21 bps
Banks	**11.4%**																
Barclays plc	2.3%	50.2	0.97	3.8%	5.4%	49.2%	42.9%	**113.2%**	19.2%	37.9%	31%	38%					43 bps
BBVA	2.3%	47.6	1.56	6.0%	5.2%	31.8%	-13.1%	**14.5%**	0.1%	-16.9%	58%	79%					63 bps
BNP Paribas	2.3%	67.4	1.53	4.4%	5.7%	57.7%	31.4%	**107.3%**	18.4%	24.1%	33%	43%					36 bps
HSBC	2.3%	139.4	0.65	5.6%	6.4%	7.7%	15.8%	**24.7%**	6.4%	2.3%	56%	57%					
Nordea	2.3%	42.1	1.02	5.1%	5.7%	28.2%	12.9%	**44.8%**	33.4%	-10.3%	56%	60%					
Construction & Materials	**9.1%**																
Bilfinger SE	2.3%	3.8	1.02	3.5%	3.9%	0.0%	10.0%	**10.0%**	0.0%	3.3%	59%	50%	-0.1x	0.8x	0.7x	0.5x	
Royal Boskalis Westminster N.V.	2.3%	4.9	0.77	3.7%	3.9%	7.1%	6.7%	**14.3%**	3.2%	4.7%	46%	47%	1.5x	1.8x	1.7x	1.5x	
Tecnicas Reunidas	2.3%	2.3	0.97	3.3%	3.4%	3.0%	3.2%	**6.3%**			58%	56%	1.4x	2.2x	-4.0x	-4.3x	
Vinci	2.3%	30.1	1.21	3.5%	3.7%	6.1%	7.1%	**13.7%**	-1.1%	3.6%	51%	49%	2.2x	2.7x	2.9x	2.7x	32 bps
Financial Services	**4.5%**																
Groupe Bruxelles Lambert	2.3%	11.9	0.65	3.9%	4.1%	5.0%	5.0%	**10.3%**	-5.7%	0.0%	71%	66%	2.1x	2.0x	2.6x	2.0x	
IG Group Holdings	2.3%	2.8	0.55	4.1%	4.6%	10.0%	12.5%	**23.7%**	0.0%	9.7%	60%	60%	1.0x	1.5x	-0.7x	-0.9x	
Health Care	**6.8%**																
GlaxoSmithKline	2.3%	101.5	0.72	5.0%	5.3%	5.1%	4.9%	**10.2%**	3.3%	1.8%	72%	78%	1.6x	1.8x	1.9x	1.8x	43 bps
Roche	2.3%	182.1	0.97	3.5%	4.0%	17.3%	12.4%	**31.9%**	6.1%	5.1%	55%	58%	2.0x	1.8x	0.6x	0.5x	
Sanofi	2.3%	103.1	1.11	3.7%	3.9%	4.0%	4.0%	**8.2%**	2.2%	4.5%	55%	55%	1.7x	1.4x	0.3x	0.5x	19 bps
Industrial Goods & Services	**18.2%**																
Atlas Copco	2.3%	25.3	1.15	3.5%	3.7%	18.2%	7.7%	**27.3%**	0.0%	-9.1%	56%	60%	1.5x	1.7x	0.4x	0.5x	
Cobham	2.3%	4.0	0.72	3.5%	3.8%	10.0%	10.0%	**21.0%**	10.0%	10.1%	47%	51%	1.5x	1.8x	0.8x	0.7x	
D S Smith	2.3%	3.6	1.23	3.8%	4.2%	20.9%	10.1%	**33.0%**			61%	60%	1.5x	1.8x	2.4x	1.9x	
Deutsche Post	2.3%	32.8	1.57	3.2%	3.7%	15.3%	16.1%	**33.9%**	10.0%	1.3%	51%	50%	1.4x	1.4x	1.9x	1.5x	17 bps
Rexam	2.3%	4.9	0.72	3.4%	3.6%	0.9%	4.2%	**5.1%**			49%	52%	1.3x	2.3x	2.7x	2.5x	43 bps
Sandvik	2.3%	12.7	1.10	4.1%	4.4%	7.1%	6.7%	**14.3%**	0.0%	0.0%	61%	71%	0.2x	0.7x	1.5x	1.9x	
Schneider Electric	2.3%	36.9	1.44	3.0%	3.3%	7.0%	12.5%	**20.3%**	-1.1%	0.9%	47%	43%	2.2x	2.1x	1.2x	1.4x	33 bps
Siemens AG	2.3%	80.1	1.26	4.0%	4.3%	19.6%	6.5%	**27.3%**	0.0%	5.0%	45%	53%	1.9x	1.6x	0.4x	0.7x	24 bps
Insurance	**15.9%**																
Aegon N.V.	2.3%	12.7	1.23	3.5%	3.9%	5.0%	10.0%	**15.5%**	2.7%	15.0%	75%	39%					84 bps
Assicurazioni Generali	2.3%	26.2	1.17	3.6%	4.2%	42.9%	16.7%	**66.7%**	97.5%	37.0%	34%	38%					51 bps
AXA	2.3%	42.5	1.65	4.8%	5.1%	11.7%	6.2%	**18.6%**	11.8%	1.6%	43%	45%					40 bps
Legal & General Group	2.3%	15.3	0.87	5.0%	5.8%	15.0%	15.0%	**32.3%**	-0.5%	9.3%	62%	66%					73 bps
RSA Insurance Group	2.3%	4.9	0.44	3.7%	3.7%	60.1%	-0.2%	**59.8%**	0.0%		NM	35%					
Sampo	2.3%	20.0	1.01	4.7%	4.9%	3.0%	2.9%	**6.1%**	0.0%	0.0%	64%	64%					
SCOR	2.3%	4.8	0.78	5.7%	6.1%	15.4%	6.7%	**23.1%**	-8.3%	18.2%	44%	54%					43 bps
Media	**4.5%**																
Pearson	2.3%	10.8	0.49	4.6%	4.8%	5.0%	5.0%	**10.3%**	6.5%	-11.2%	69%	82%	0.6x	1.1x	1.6x	1.6x	40 bps
SES SA	2.3%	10.9	0.32	4.3%	4.8%	10.0%	10.0%	**21.0%**	10.3%	9.3%	76%	76%	1.8x	2.0x	2.8x	2.6x	67 bps
Oil & Gas	**6.8%**																
BP plc	2.3%	111.7	0.68	4.7%	4.7%	0.7%	0.3%	**0.9%**	-3.0%	-1.3%	52%	54%	-0.3x	0.9x	0.9x	1.0x	27 bps
ENI	2.3%	66.7	1.10	6.0%	6.0%	1.8%	0.0%	**1.8%**	-1.8%	-2.3%	90%	96%	-0.5x	0.0x	0.8x	0.8x	27 bps
Royal Dutch Shell plc (A)	2.3%	184.2	0.62	4.8%	4.8%	1.0%	1.0%	**2.0%**	-0.1%	-2.3%	58%	53%	-0.2x	0.8x	0.8x	0.7x	33 bps
Personal & Household Goods	**4.5%**																
British American Tobacco	2.3%	79.9	0.63	4.3%	4.5%	4.8%	3.8%	**8.8%**	-0.1%	6.2%	66%	70%	1.4x	1.3x	1.7x	1.9x	22 bps
Imperial Tobacco	2.3%	30.0	0.40	5.2%	5.7%	10.0%	9.9%	**20.9%**	10.2%	2.3%	57%	61%	1.5x	1.6x	3.1x	3.0x	41 bps
Retail	**2.3%**																
Casino	2.3%	10.4	1.05	3.6%	3.9%	6.5%	8.0%	**15.0%**	5.0%	9.5%	62%	55%	-34.5x	33.6x	1.8x	1.5x	49 bps
Technology	**2.3%**																
Ericsson	2.3%	27.8	0.79	4.2%	4.8%	16.3%	13.6%	**32.2%**	9.1%	-1.7%	55%	68%	1.3x	2.3x	-1.1x	-1.7x	34 bps
Telecommunications	**4.5%**																
Swisscom	2.3%	22.7	0.53	5.2%	5.4%	27.3%	3.6%	**31.8%**	-0.5%	-6.4%	66%	75%	1.3x	1.0x	1.8x	1.6x	
Telenor	2.3%	25.8	0.71	5.7%	6.5%	14.3%	12.5%	**28.6%**	-16.7%	0.0%	77%	73%	2.5x	1.0x	1.1x	1.3x	44 bps
Utilities	**2.3%**																
Centrica	2.3%	20.4	0.19	5.3%	5.6%	3.5%	4.3%	**8.0%**	-2.7%	1.5%	63%	74%	2.3x	0.8x	2.0x	2.2x	65 bps
Median		**26.0**	**0.97**	**4.0%**	**4.5%**	**8.8%**	**7.8%**	**21.0%**	**0%**	**2%**	**57%**	**56%**	**1.5x**	**1.6x**	**1.2x**	**1.3x**	**40 bps**

Source: Bloomberg, Goldman Sachs Global Investment Research.

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Reg AC

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