

Europe Multi-Industry

Post 2024 Cables update: Nexans down to Neutral, reiterate Buy on Prysmian

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Daniela Costa
+44(20)7774-8354 |
daniela.costa@gs.com
Goldman Sachs International

Ilaria Buricelli
+44(20)7774-9148 |
ilaria.buricelli@gs.com
Goldman Sachs International

As we near the end of the 2Q results season, we update estimates for Prysmian, Nexans and NKT. **Reporting has been mixed for the Cables names, with a strong HV and Telecom recovery but slightly softer-than-expected LV profitability and MV demand for Prysmian, while Nexans surprised to the upside on LV amidst continued concerns about significant delays/cancellation of the Great Sea Interconnector project.**

In our previous HVDC Supply/Demand note ([here](#)), **after accounting for sizeable capacity expansion announcements from companies including NKT, LS, Taihan and smaller European players, we discussed that we saw a c.90% increase in 2027 planned capacity additions compared to 1Q and that we expected the market would be close to equilibrium in 2027/28.** We remain very constructive on the demand side of the equation, having changed our view to become more cautious on the extent of under-capacity over the medium term, also taking into account that in the past capacity under-utilisation has put severe pressure on HV margins ([Exhibit 21](#)).

In this note, we dig further into our analysis of S/D for individual companies. In our new HVDC contract-by-contract backlog phasing analysis, Prysmian screens as having the highest backlog visibility among Cables stocks, with its current backlog already filling in capacity almost fully until 2028 ([Exhibit 5](#)); the company is therefore hedged from the risk of over-supply in 2027/28. However, Nexans has the lowest backlog visibility, with 2027/28 capacity more than half unfilled ([Exhibit 6](#)). While NKT has even higher levels of coverage of 2023 capacity compared to Prysmian ([Exhibit 4](#)), we believe that what is distinguishing Prysmian vs. peers is its superior coverage of capacity, even in outer years when the S/D imbalance will be less favorable as others add capacity.

We downgrade Nexans to Neutral (from Buy), and our 12-month price target

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moves to €117 (from €114). We reiterate our Buy rating on Prysmian, with a revised price target of €73 (from €70). Our price target revisions reflect 2Q24 results and the rollover of our EV/IC to ROIC/WACC sector-relative methodology by 3 months.

We remain Sell-rated on NKT given it has the highest exposure to HV in our cable coverage, thus making it more sensitive to the increased S/D balance uncertainty, despite trading at the highest multiple of all players. We deep dive into our investment case in our July 17 2024 note [here](#). We now update our 12-month price target to DKK512 (was DKK501) to reflect better than expected FCF generation at 2Q24 (although P&L figures had already been pre-announced). Our price target also reflects the rollover of our EV/IC to ROIC/WACC sector-relative methodology by 3 months.

PM Summary

We reiterate our Buy rating on Prysmian, raising our price target to €73 (from €70). We raise our 2024/25E Digital Solutions EBITDA by c.20%/38% post 2Q24 to reflect the end of destocking in North America, less negative PPI dynamics ([Exhibit 38](#), [Exhibit 39](#); see [here](#) our latest pricing data on Industrials) and positive read-across from earlier-cycle upstream peers such as Corning, Belden, Commscope and others ([Exhibit 43](#)). **We also lower our 2024/25 Power Grids EBITDA estimates by c.6%/5%** to reflect softer-than-expected 2Q results as Utility customers' demand in the quarter fell short of what was implied by their current capex plans. **This brings us c.1%/3% above VA Consensus on 2024/25E EBITDA.** Prysmian has underperformed the sector by c.2pp since it reported. One of the main concerns we heard from investors related to competitive concerns over US aluminium wires imports from India – we think this is overblown as aluminium wire imports in the US are far from their historical peak level, and imports from India, which make up only c.16% of total imports YTD, were already showing a material deceleration in 2Q24 vs 1Q24. **We see a potential CMD in 1H25 as the next major catalyst.** We expect a potential CMD in 2025 to reflect better trends in Power Grid margins as well as an improved outlook post the Encore deal. We expect new 2025 EBITDA/FCF targets to be in the range of €2,400-2,500mn/€1,100-1,200mn, with new 2027 EBITDA/FCF targets in the range of €2,700-2,800mn/€1,400-1,500mn.

As a reminder, our Prysmian Buy case is based on 3 key points:

1. With close to 9 years of Projects backlog to 2023 sales visibility, Prysmian has a solid coverage of earnings in Solutions. While NKT has even higher levels of coverage at current capacity, we believe what distinguishes Prysmian vs peers is its superior coverage of capacity even in outer years, with more balanced coverage throughout the next 5 years based on our bottom-up contract-by-contract backlog phasing analysis ([Exhibit 30](#)). In light of the less favorable industry supply/demand balance for FY27E that we highlight above, we believe such strong backlog visibility provides Prysmian with a clear edge over Nexans and NKT on their respective HV segments.
2. We also see Prysmian's c.5% datacenter exposure (vs. c.3% Nexans and limited exposure for NKT, [Exhibit 35](#)) as well as its c.8% telecom exposure as a good source

of diversification, which better insulates it from rising HV over-capacity risk. Based on our capex tracker ([here](#)), we continue to see datacenters growing at an almost 24% CAGR through FY27 and, as destocking in North America has come to an end, we see Prysmian's telecom division at a c.7% CAGR over FY25-27 (also considering Belden/Commscope/Corning/Furukawa positive read-across this week, [Exhibit 43](#)).

3. Finally, through the acquisition of General Cable in 2018 and Encore Wire this year, we estimate that Prysmian more than quadrupled its market share in US LV. We believe that, thanks to synergies and a more price disciplined end market, such a high degree of market consolidation will drive margins to sustainably higher levels than in the past.

We downgrade Nexans to Neutral (from Buy) as our updated price target of €117 (was €114) implies 4% downside to the current stock price vs. 11% median upside for the sector ([Exhibit 1](#)). We note the following reasons that leave us more cautious:

- Despite making small raises to our FY24E EBITDA to reflect a better-than-expected result in the low voltage divisions (Usages and Non-electrification), we remain **c.4%/6% below VA Consensus on 2024/25E EBITDA** given Nexans' recent HV (G&T division) weakness, and we also lower EBITDA for that division over medium-term years given the company's limited contract coverage visibility. We are also towards the low end of guidance for 2024 (€750-800mn).
- **Higher uncertainty about capacity utilisation vs. peers.** Nexans' backlog and frame agreements equate to 7.5 years of current sales for its G&T division (vs. 10.7/8.8 years for NKT/Prysmian); while this might seem high visibility, it is highly dependent on the timely execution of the Great Sea Interconnector contract in the near term, which makes up >20% of Nexans' backlog and would be too late to replace with new contracts in case of material delays associated with current uncertainty in discussions amongst the cable promoters. Furthermore, based on our contract-by-contract backlog phasing, the company's HVDC capacity for FY27-28 looks less than 50% booked as many of the contracts it has been awarded extend into the 2030s ([Exhibit 49](#)). If the Great Sea Interconnector were not to be executed, we estimate that current backlog would fill in <1/3 of FY27/28 capacity, making it very challenging for Nexans to completely fill in capacity considering FY27 is expected to be the year when most additional industry capacity comes online. In light of the current capacity increase announcements by other companies and regulatory risks around US/EU elections, we see a higher risk of underutilisation at Nexans than for its peers.

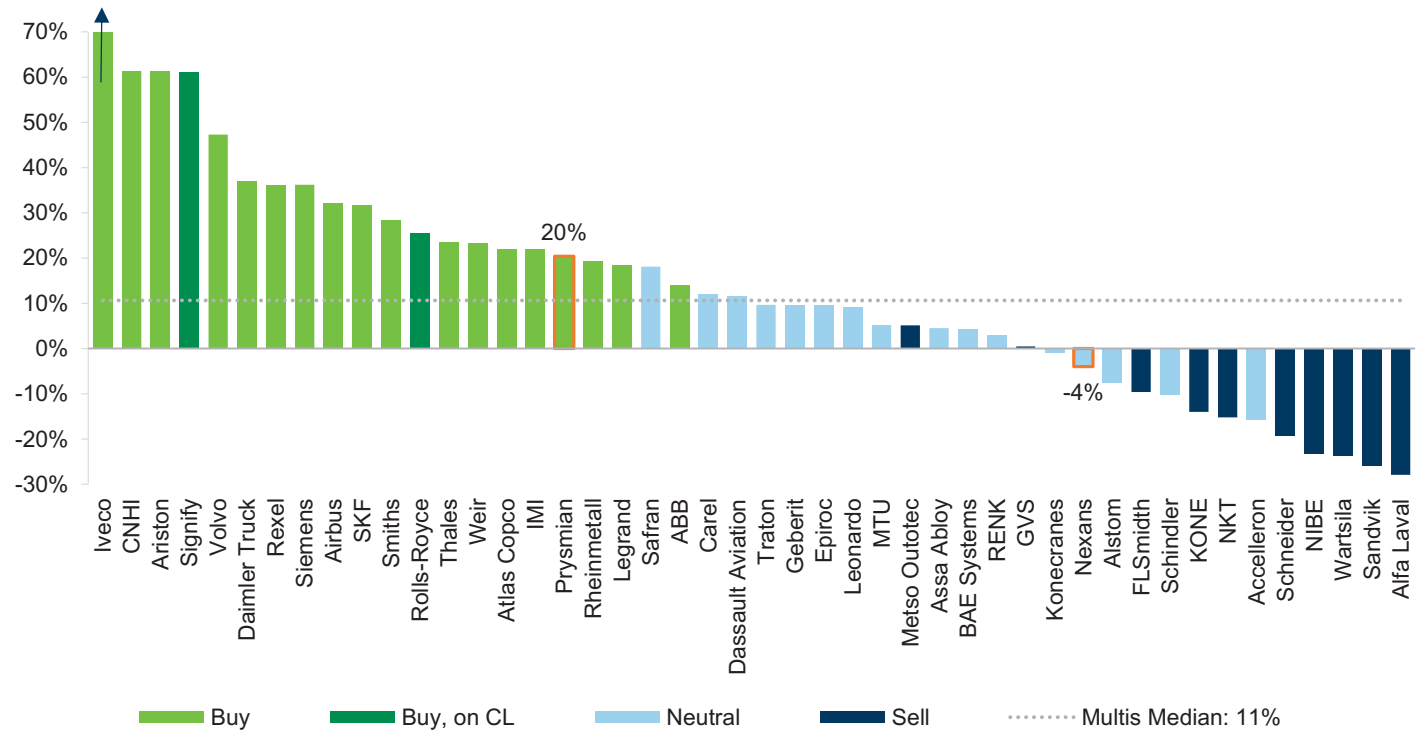
However, **Nexans is one of the best performers in our coverage during through-to-peak PMI phases ([Exhibit 52](#)), which makes it well positioned to benefit from a European recovery ([Exhibit 51](#))**, and it does not look as expensive as NKT on valuation ([Exhibit 53](#)). Moreover, Nexans has stated its intention to divest its Auto Harnesses business and other Non-electrification portfolio to become a pure-play electrical cable and systems supplier, which we see as a potential catalyst for a stock re-rating.

We remain Sell-rated on NKT with estimate updates post the full 2024 release

(the company had already pre-announced on July 11). NKT has the highest exposure within our coverage to HV (>70% of EBITDA in 2023 vs <15% for Prysmian/Nexans) and, as a consequence, trades at the highest multiple (FY25E EV/EBIT 18.7x, >90% premium vs the average of Prysmian/Nexans (9.8x)). We believe this implies that the success the company has had on order intake has been extrapolated into at least a decade of mid-teens growth at peak margins by investors, capping the potential for upside from here. We are 12% below FY28E EBITDA in Solutions consensus even before taking into account any potential risks to S/D, as we believe consensus fails to incorporate the fixed costs needed for the ramp-up of new capacity ahead of its growth generation. We note that NKT has historically also been the stock with the highest margin volatility in our coverage, having seen Solutions EBITDA margin (at current metal prices) move from 16% in 2017 to 3% by 2019 post a period of industry over-capacity. Our 12-month price target is DKK512 (was DKK501) and is based on our 24m forward EV/IC to ROIC/WACC methodology, with its increase reflecting the better than expected 2Q24 FCF generation at NKT. **Key upside risks to our view and price target include:** (1) Faster-than-expected acceleration of offshore wind investments and medium voltage/low voltage business; (2) Materially value accretive M&A; and (3) Better-than-expected pricing or unexpectedly high repair activity within Services.

Exhibit 1: Prysmian/Nexans have 20%/6% implied upside/downside to the current stock price

Prysmian/Nexans Upside/Downside vs. Multis Median



Source: Factset, Goldman Sachs Global Investment Research

Prices in this report are based on the market close of August 15, 2024, unless otherwise stated.

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Industry Snapshot

Exhibit 2: Cables competitive landscape

Company data is for the group and 2023 unless otherwise specified

Company	Prysmian	Nexans	NKT
Company Description	World's largest supplier specialising in the production of electrical cable for use in the energy and telecom sectors and for optical fibers.	Leading cable manufacturer operating across the high, medium and low voltage spectrum.	Leading cable and cable accessories supplier to the energy sector. NKT develops and offers high-end cables, cable accessories and cable services.
Group Revenues, €mn (Current Metal Prices, 2023)*	c.17,700	8,590	2,717
Revenues by Division (Current Metal Prices, 2023) - HV segments in dark blue, MV in light blue, LV in green*	<ul style="list-style-type: none"> Digital Solutions, 8% Electrification - Other, 2% Electrification - Specialties, 26% Electrification - Industry & Construction, 32% Power Grids, 19% Transmission - Land HVDC, 2% Transmission - Submarine, 10% 	<ul style="list-style-type: none"> Other Activities, 17% Non-Electrification, 22% Usage, 35% Distribution, 10% Generation & Transmission, 10% 	<ul style="list-style-type: none"> Service & Accessories, 5% Applications - Telecoms, 2% Applications - Construction Cables, 16% Applications - Power Grids, 27% Solutions, 47%
Revenues by Region (2023)*	<ul style="list-style-type: none"> APAC, 6% SA, 7% NA, 39% EMEA, 48% 	<ul style="list-style-type: none"> MEA, 7% APAC, 11% SA, 12% NA, 20% Europe, 50% 	<ul style="list-style-type: none"> RoW, 9% NA, 14% Europe, 77%
OSG (L5Y average)	2.6%	4.6%	14.2%
ROIC (2023)	16.3%	13.7%	11.9%
Adj. EBITDA margin (Current Metal Prices, 2023)*	11.9%	9.3%	10.1%
Capex % of Revenues (2023)	4.1%	4.4%	8.8%
Total R&D Cash Cost % of Revenues (2023)	0.7%	1.0%	1.4%
R&D Treatment	100% Expensed	100% Expensed	19% Expensed, 81% Capitalised
HV Backlog, €mn (2024 YTD)	18,600	6,700	11,500 (14,000 including booking commitments)
HV Factory Locations	Italy, Finland, Norway, Germany	Norway, USA, Japan	Germany, Sweden, Netherlands
Current Vessels	Leonardo Da Vinci, Giulio Verne, Cable Enterprise, Ulisse, Barbarossa	Skagerrak, Nexans Aurora	NKT Victoria
Incoming Vessels, Delivery Date	Monna Lisa, Q1 2025 Unnamed 1, post Monna Lisa delivery Unnamed 2, post Monna Lisa delivery (dedicated to shallow water installation)	Aurora, 2026	Eleonora, 2027

*Prysmian pro-forma Encore Wire, Nexans pro-forma La Triveneta Cavi, NKT pro-forma SolidAI

Source: Company data, compiled by Goldman Sachs Global Investment Research

Cables bottom-up order backlog as of July 2024

We introduce our HVDC contract-by-contract backlog phasing analysis. Using the assumptions outlined below and taking into account the exact construction start date and estimated completion date, we estimate the amount of revenues which will be recognized yearly by the three cable companies for each of the contracts in their backlogs. We then compare it with our estimate of HVDC capacity in order to assess how far from being fully booked the companies are. We recognize our approach has some limits as it does not include increased capacity from new cable-laying vessels coming on-stream but only from new plants; that said, what stands out to us is that, while Prysmian has the highest backlog visibility among the cable stocks with current backlog already filling in capacity until 2028 ([Exhibit 5](#)), Nexans has the lowest, with 2027/28 capacity more than half empty at the moment ([Exhibit 6](#)). While NKT has even higher levels of coverage at current capacity compared to Prysmian ([Exhibit 4](#)), we believe that what is distinguishing Prysmian vs peers is its superior coverage of capacity within the next 5 years.

We also delve into the companies' backlogs of customer, product and regional composition. All the companies have at least one customer representing >25% of their sales, and Prysmian and NKT each have c.35% of their backlog in Germany. Prysmian also has lower exposure to wind vs the others, which we favor due to risks around regulation in wind.

GS backlog breakdown assumptions

We assume contracts in the backlog go through three phases:

- (1) Design (including study, engineering and testing; GSe c.10% of contract value);
- (2) Production (c.60% of contract value); and
- (3) Installation (c.30% of contract value).

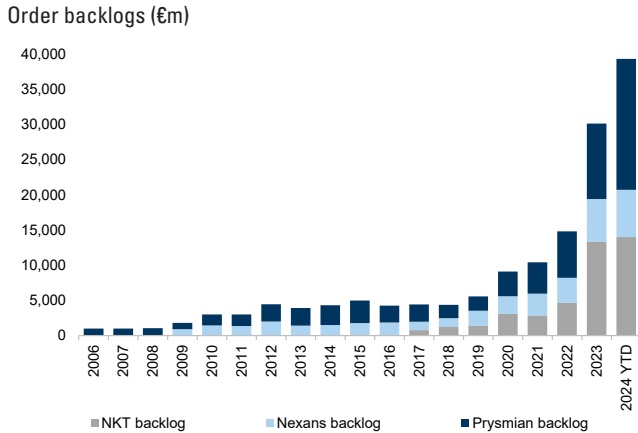
Looking at the contracts for Prysmian, Nexans and NKT over the last year five years, we assess that it takes around four years on average to deliver an HV cable order. Given the current size of order backlogs and that the OEMs are all currently ramping up capacity, we assume that the design phase lasts for around 1 year and accounts for about 10% of the contract value.

This is followed by the production phase, which is typically the most cost-intensive part of an award and thus accounts for the most significant proportion of project revenues. We assume the production phase takes all the remaining contract length excluding around 6 final months of installation (if present), which on average corresponds to c.4 years, and that c.60% of the contract value is booked during this period.

Upon completion of cable production, the OEMs may in some cases be contracted to install the cables when subsea, and typically outsource the installation of land cables. We assume that installation takes about 6 months and accounts for the remaining c.30% of revenues.

We assume equal phasing of revenues in every quarter of each phase.

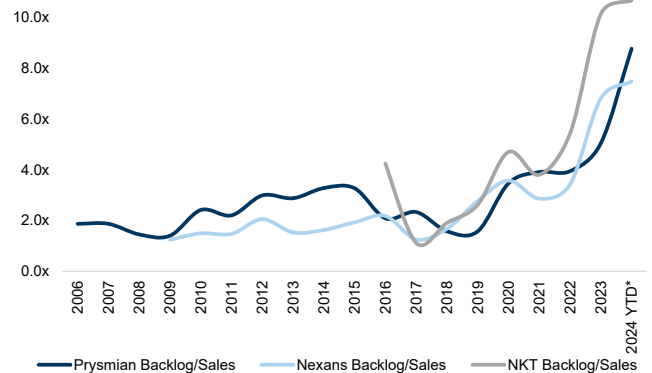
Exhibit 3: The awarding of several frame agreements has seen HV cable backlogs more than double since 2022, with Prysmian taking the most share



Source: Company data, Goldman Sachs Global Investment Research

Exhibit 4: While NKT has higher levels of coverage at current capacity compared to Prysmian...

Prysmian, Nexans and NKT Backlog/Current metal sales



Source: Company data, Goldman Sachs Global Investment Research

GS HVDC capacity assumptions

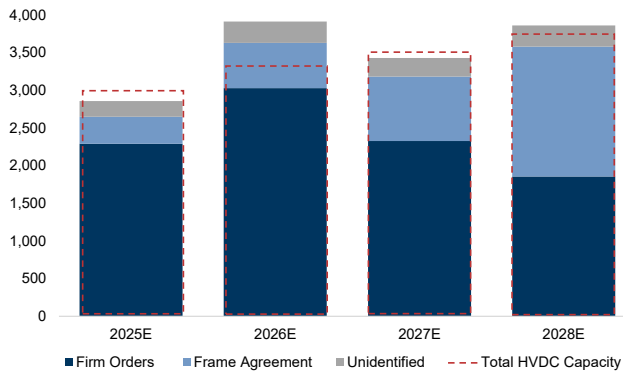
Our HVDC capacity forecasts for Prysmian/Nexans/NKT are based on the following assumptions:

- (1) Prysmian/Nexans/NKT’s respective HV divisions have operated at full capacity in 2023; hence, 2023 HV capacity in monetary terms coincides with their 2023 HV divisions’ revenues;
- (2) We estimate HVDC as a % of total HV backlog using our backlog phasing analysis and subtract the corresponding HVAC revenues from total 2023 HV revenues to obtain HVDC capacity in 2023; and
- (3) We estimate 2024-28 HVDC capacity by adding up to 2023 base capacity all the announced capacity expansions as reflected in our HVDC supply/demand model (Exhibit 27) and assume a 5% incremental annual increase to account for additional capacity from new cable-laying vessels and pricing.

New vessels coming on-stream and different contract pricing/timing from what is expected might give rise to small deviations of actual capacity vs. our estimate.

Exhibit 5: ...Prysmian has the highest backlog visibility among the cable stocks, with current backlog already filling in capacity until 2028...

Prysmian contract by contract HVDC backlog phasing vs. HVDC capacity

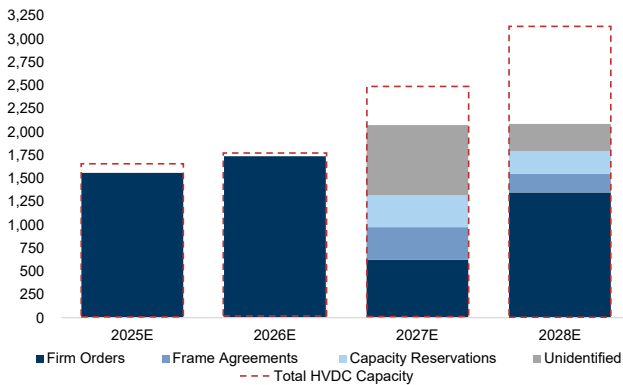


HVDC capacity might not take into full account additional capacity from new cable laying vessels.

Source: Company data, Goldman Sachs Global Investment Research

Exhibit 7: ...and NKT between the two, with good coverage until 2026 but less so in subsequent years

NKT contract by contract HVDC backlog phasing vs. HVDC capacity

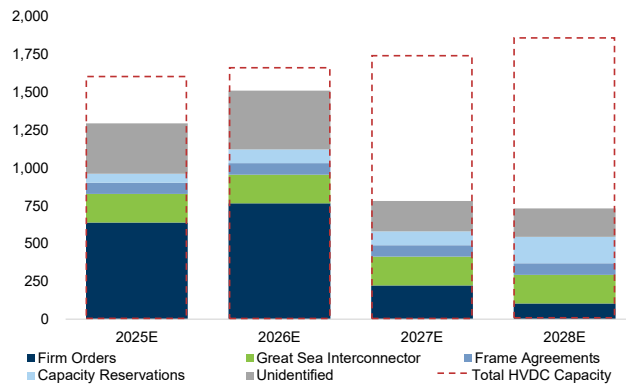


HVDC capacity might not take into full account additional capacity from new cable laying vessels.

Source: Company data, Goldman Sachs Global Investment Research

Exhibit 6: ...while Nexans screens as the least covered, even more so considering Great Sea Interconnector cancellation risk...

Nexans contract-by-contract HVDC backlog phasing vs. HVDC capacity

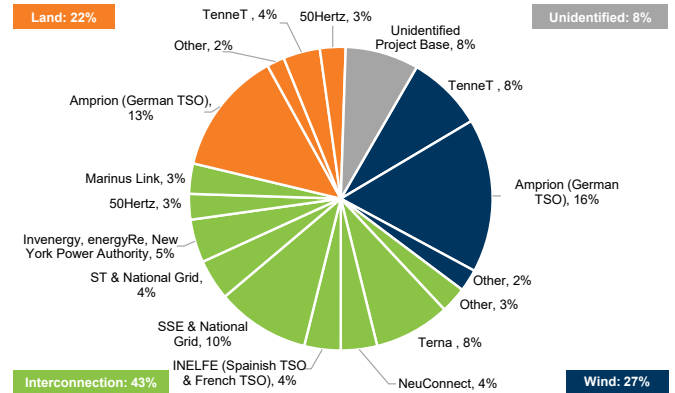


HVDC capacity might not take into full account additional capacity from new cable-laying vessels.

Source: Company data, Goldman Sachs Global Investment Research

Exhibit 8: We estimate that Amprion accounts for c.30% of Prysmian's order backlog...

Prysmian's backlog by customer as of July 2024 (c.€18.6bn total order backlog, GSe)



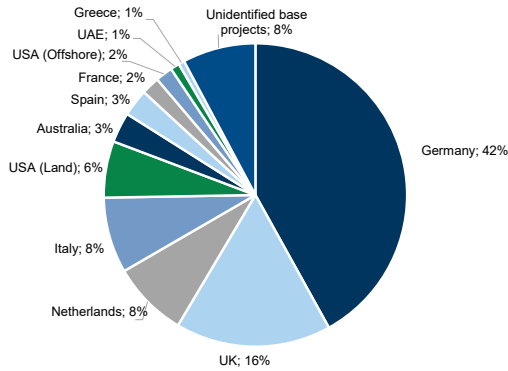
Prysmian backlog includes frame agreements not yet called off.

Source: Company data, Goldman Sachs Global Investment Research

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Exhibit 9: ...with projects concentrated predominantly in Germany, the UK, Italy, and the Netherlands

Prysmian's backlog by geography as of July 2024 (c.€18.6bn total order backlog, GSe)

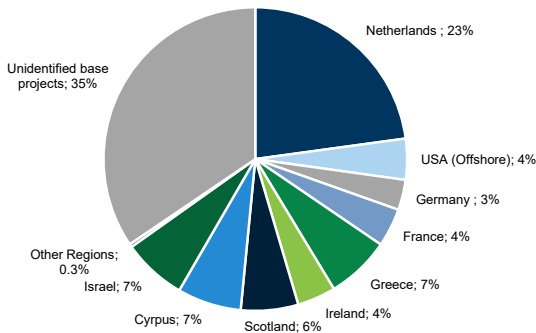


Prysmian backlog includes frame agreements not yet called off.

Source: Company data, Goldman Sachs Global Investment Research

Exhibit 11: As such, close to a quarter of Nexans' awards are in the Netherlands

Nexans' adjusted backlog by geography as of July 2024 (c.€6.7bn total adjusted backlog, GSe)

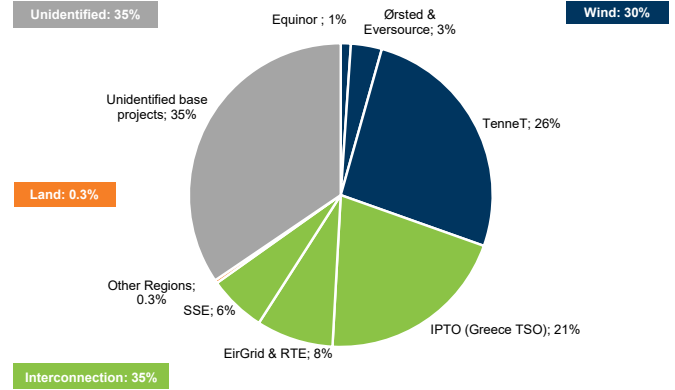


Nexans backlog includes frame agreements not yet called off.

Source: Company data, Goldman Sachs Global Investment Research

Exhibit 10: We estimate that c.30% of Nexans' backlog is for offshore wind projects, mostly through TenneT

Nexans' adjusted backlog by customer as of July 2024 (c.€6.7bn total adjusted backlog, GSe)

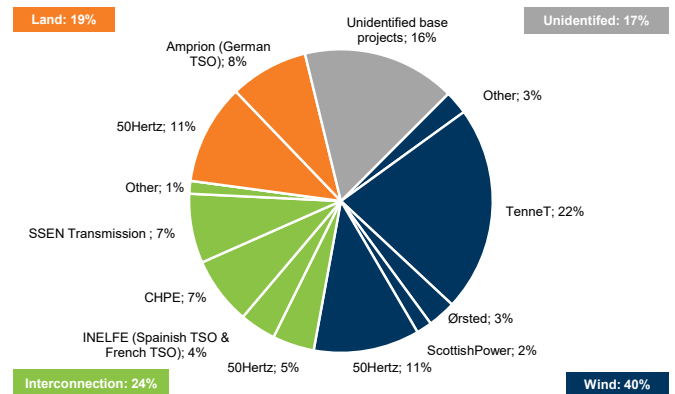


Nexans' backlog includes frame agreements not yet called off.

Source: Company data, Goldman Sachs Global Investment Research

Exhibit 12: We estimate that TenneT & 50Hertz accounts for nearly 50% of NKT's order backlog...

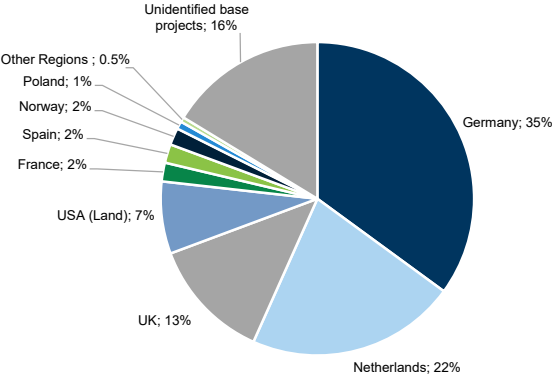
NKT's backlog by customer as of July 2024 (c.€14bn total backlog, GSe)



Frame agreements and booking commitments are included in the analysis; German corridor projects included in land vs. interconnections per company definition.

Source: Company data, Goldman Sachs Global Investment Research

Exhibit 13: ...with almost 60% of the projects being carried out in Germany and the Netherlands
NKT's backlog by geography as of July 2024 (c.€14bn total backlog, GSe)



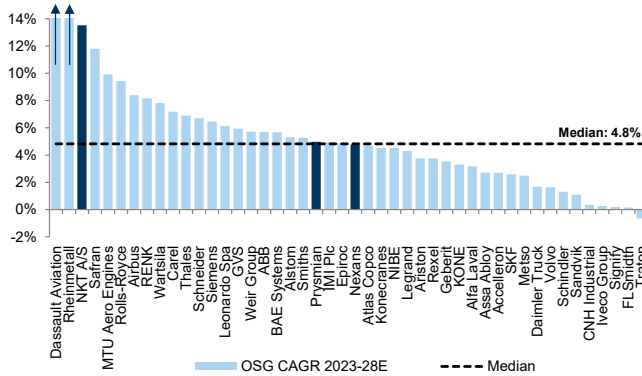
Frame agreements and booking commitments are included in the analysis; German corridor projects included in land vs. interconnections per company definition.

Source: Company data, Goldman Sachs Global Investment Research

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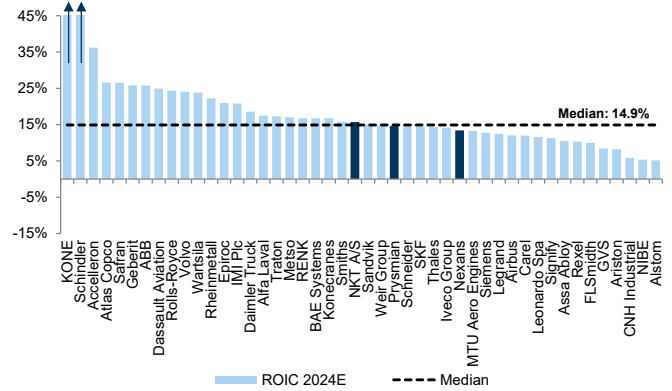
Cables benchmarking vs. Multi-Industry

Exhibit 14: NKT's significant backlog coupled with its higher HV exposure drives one of the fastest growth rates in the sector
OSG CAGR, 2023-28E



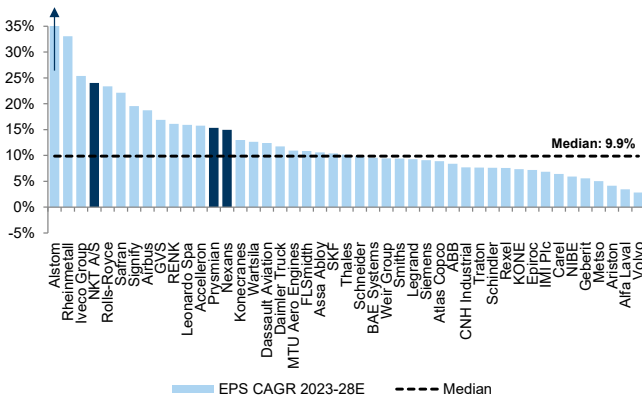
Source: Goldman Sachs Global Investment Research

Exhibit 15: All cable stocks have ROIC broadly in line with coverage...
ROIC 2024E



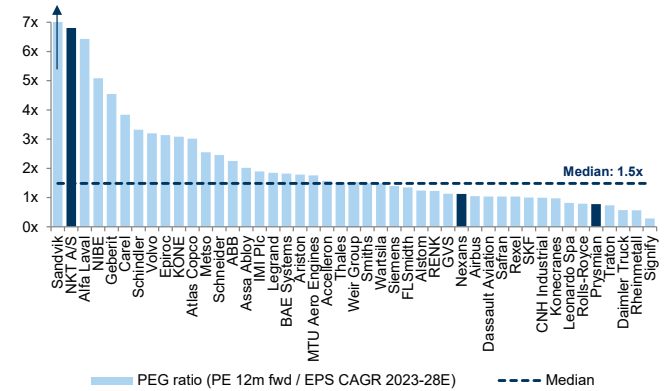
Source: Goldman Sachs Global Investment Research

Exhibit 16: ...and are expected to grow above sector levels...
EPS CAGR, 2023-28E



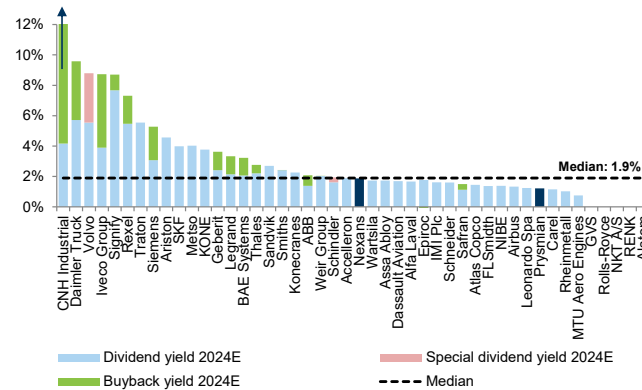
Source: Goldman Sachs Global Investment Research

Exhibit 17: ...but while Prysmian and Nexans look undervalued, NKT has the second-highest PEG ratio within our coverage
PEG ratio (P/E 12m fwd / EPS CAGR 2023-28E)



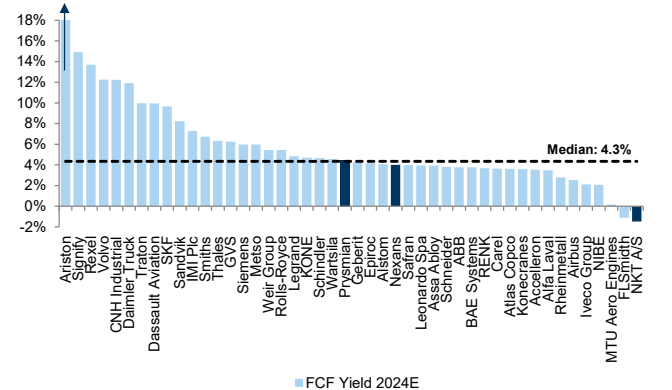
Source: Factset, Goldman Sachs Global Investment Research

Exhibit 18: Cable stocks do not look attractive on cash to shareholders given their high capex investments
Dividend and buyback yield 2024E



Source: Factset, Goldman Sachs Global Investment Research

Exhibit 19: Despite Prysmian's high capex investments, it still displays FCF yield in line with the Multis average
FCF yield 2024E



Source: Factset, Goldman Sachs Global Investment Research

Recap on HVDC Supply/Demand outlook

In our previous note ([here](#)), we revisited our GS proprietary HVDC cable supply/demand model. After sizeable capacity expansion announcements from companies including NKT, LS, Taihan and smaller European players, we witnessed a c.90% increase in 2027 planned capacity additions compared to a few months ago. While we remain constructive on the demand side of the model, we changed our view to become more cautious on the extent of under-capacity over the medium term, also taking into account that in the past capacity under-utilisation has put severe pressure on HV margins ([Exhibit 21](#)). Including all the recent capacity addition announcements, we continue to expect the market to be close to equilibrium in 2027-28.

Exhibit 20: Owing to recent capacity expansion announcements, we continue to see the market reaching equilibrium in 2027, even though demand is still expected to remain 20% higher than supply on average this decade (assuming no further capacity expansion plans are announced)

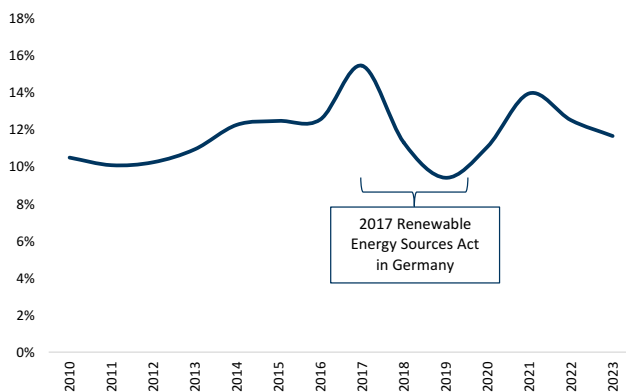
Distance model: HVDC market demand vs. supply (km)

HVDC demand vs. supply (2023-30)	2023	2024E	2025E	2026E	2027E	2028E	2029E	2030E	Average	CAGR (2023-30)
Demand (km)	7,533	10,475	12,442	12,185	11,146	14,073	18,585	19,745	13,273	15%
Offshore wind additions	874	1,056	1,455	1,829	2,703	3,769	4,671	5,739	2,762	31%
Growth (%)	-12%	21%	38%	26%	48%	39%	24%	23%	4,876	13%
Submarine interconnections	2,903	4,513	5,773	4,877	2,988	4,195	7,008	6,751	574	14%
German Corridors	903	1,012	787	655	160	298	527	252	5,061	10%
Land HVDC	2,853	3,895	4,428	4,824	5,294	5,811	6,379	7,002	11,019	
Supply (km)	7,533	8,181	9,029	9,757	11,621	13,208	14,411	14,411	11,019	
Demand vs. supply	100%	128%	138%	125%	96%	107%	129%	137%	120%	

Source: Company data, Goldman Sachs Global Investment Research, ENTSO-E, Eurocable, BloombergNEF

Exhibit 21: Following the 2017 Renewable Energy Sources Act in Germany, there was capacity under-utilisation and pressure on cable companies' HV margins

Average of Prysmian Projects, Nexans G&T, NKT Solutions adj. EBITDA margin at current metal prices

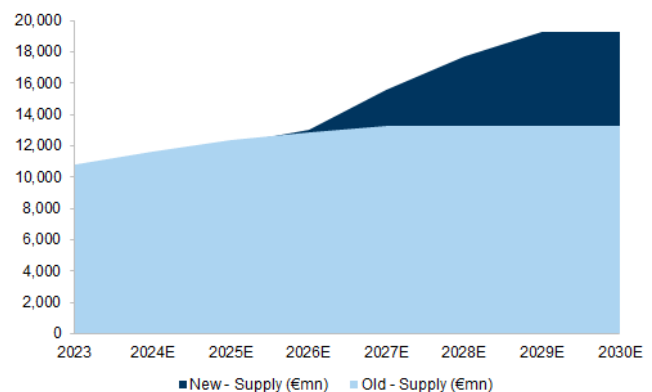


Prysmian margin adjusted for Western Link EBITDA impact in 2014, 2015, 2018

Source: Company data

Exhibit 22: We see a material increase in supply in the second half of the decade driven by LS Cable, Taihan Cable, Prysmian, and NKT's HVDC capacity expansion plans...

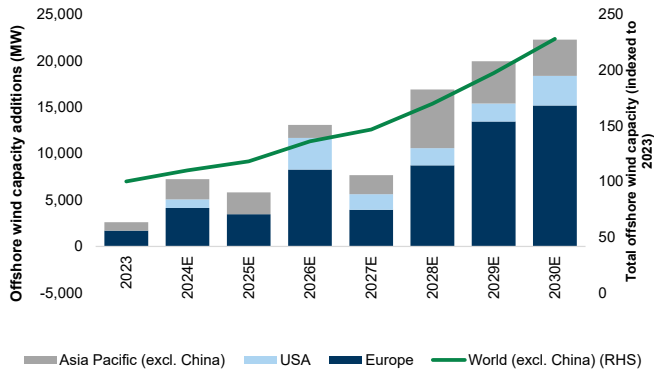
New vs. old estimates of supply (€mn)



Source: Company data, Goldman Sachs Global Investment Research, ENTSO-E, Eurocable, BloombergNEF

Exhibit 23: ...and note that BloombergNEF estimates suggest a c.13% global offshore wind capacity (MW, excl. China) CAGR over 2023-30E

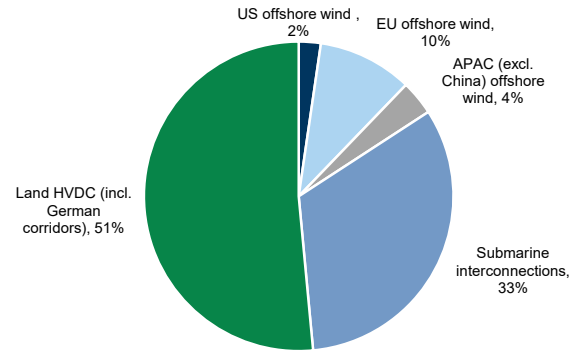
Offshore wind capacity additions (MW) vs. total capacity (GW)



Source: Company data, Goldman Sachs Global Investment Research, ENTSO-E, Eurocable, BloombergNEF

Exhibit 24: We expect offshore wind will account for <20% of the total market demand over 2024-30E

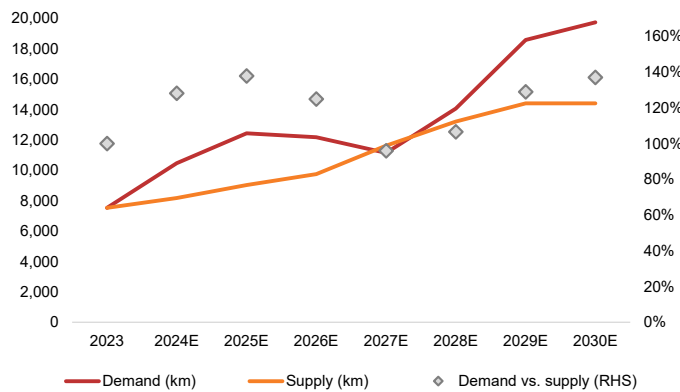
Total HVDC market demand (2024-30E)



Source: Company data, Goldman Sachs Global Investment Research, ENTSO-E, Eurocable, BloombergNEF

Exhibit 25: Our S/D model suggests a broadly balanced market in 2027/28, after which we see the S/D imbalance increasing (assuming no more new capacity announcements)

GS HVDC demand vs. supply distance model (in km)



Source: Goldman Sachs Global Investment Research

Exhibit 26: We incorporate LS Cable, Taihan Cable, Prysmian, and NKT's HVDC capacity expansion plans into the supply side of our model...

Announced HVDC capacity expansions since 2018

Company	Capex (€mn)	Construction Start	Operational	Comments
Nexans - Charleston (US)	191	2018	2020	2Q17 earnings call expected €300-400mn additional sales run-rate
NKT - Karlskrona (Sweden) & Cologne (Germany)	150	2018	2023	Additional sales run-rate of €300mn
LS Cable & System - Donghae (South Korea) plant	127	2021	2024	₩190bn total investment
Nexans - Halden (Norway) & Charleston (US)	250	2021	2024	Halden brings €45mn incremental EBITDA at high end of G&T margin target range
NKT - Karlskrona (Sweden) extension	90	2022	2024	Additional sales run-rate of €200mn
Prysmian - Arco Felice (Italy), Pikkala (Finland), US plant	380	2022	2025	€80mn Arco Felice plant, €100mn Pikkala plant, €200mn new US plant
Other European players	350	2018-24	2023-26	€350mn cumulative investment
NKT - Karlskrona (Sweden) new factory with 3rd extrusion tower	700	2023	2027	Additional sales run-rate of €1,400mn
LS Cable & System - Donghae (South Korea) plant extension	105	2024	2026	₩155.5bn total investment
LS Cable & System - US plant	630	2024	2027	\$681mn investment
NKT - Cologne (Germany) extension	100	2024	2027	Additional sales run-rate of €200mn
Sumitomo - Port of Nigg (UK) Plant	410	2024	2026	£350mn investment
Taihan Cable & Solution - South Korea plant	314	2024	2025	₩470bn investment
LS Cable & System - Tyneside (UK) plant	1,084	2024/2025	2027	£923mn investment
Prysmian - Pikkala (Finland) plant extension	75	n.a.	2027/2028	€70-80m investment
Total	4,956			

Source: Company data, compiled by Goldman Sachs Global Investment Research

Exhibit 27: ...and expect the market to cumulatively add >€40bn of incremental sales/30k km of incremental capacity over 2024-30E

Incremental sales from announced HVDC capacity expansions vs. 2018 (€mn)

Additional HVDC capacity vs. 2018 (€mn)	2018	2019	2020	2021	2022	2023	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Nexans - Charleston (US)			164	205	256								
NKT - Karlskrona (Sweden) & Cologne (Germany)						320	400	400	400	400	400	400	400
LS Cable & System - Donghae (South Korea) plant						300	500	500	500	500	500	500	500
Nexans - Halden (Norway) & Charleston (US)							169	254	254	254	254	254	254
Prysmian - Arco Felice (Italy), Pikkala (Finland), US plant							333	500	500	500	500	500	500
Other European players						120	203	308	469	629	691	691	691
NKT - Karlskrona (Sweden) new factory with 3rd extrusion tower										467	933	1,400	1,400
LS Cable & System - Donghae (South Korea) plant extension									140	210	210	210	210
LS Cable & System - US plant										420	840	1,260	1,260
NKT - Cologne extension (2024)										133	200	200	200
Sumitomo - Port of Nigg (UK) Plant									273	547	820	820	820
Taihan Cable & Solution - South Korea plant								209	419	628	628	628	628
LS Cable & System - Tyneside (UK) plant										723	1,445	2,168	2,168
Prysmian - Pikkala (Finland) plant extension										38	150	150	150
Total additional capacity (€mn)			164	205	256	740	1,606	2,742	3,715	6,208	8,332	9,941	9,941
Total additional capacity (km)			122	153	191	553	1,201	2,049	2,777	4,641	6,228	7,431	7,431
Total capacity (€mn)	9,337	9,337	9,501	9,542	9,593	10,077	10,943	12,079	13,052	15,546	17,569	19,278	19,278
Total capacity (km)	6,980	6,980	7,102	7,133	7,171	7,533	8,181	9,029	9,757	11,621	13,208	14,411	14,411

Source: Company data, Goldman Sachs Global Investment Research

Prysmian - Reiterate Buy on Digital Solutions pick-up and best-in-class HV backlog visibility near term

Post 2Q24, we raise our 2024/25 Digital Solutions EBITDA by c.20%/38% to reflect the end of destocking in North America and positive read-across ([Exhibit 43](#)). **We also lower our 2024/25 Power Grids EBITDA estimates by c.6%/5%** to reflect softer-than-expected 2Q results, as Utility customers demand in the quarter fell short of what is implied by their current capex plans. **This brings us c.1%/3% above VA Consensus on 2024/25E EBITDA.**

While concerns over US aluminium wires imports from India seem to have dominated the worries after 2Q, we think this is overblown. While aluminium cables represent c.53% of Prysmian's US LV sales (down from c.65% since the Encore deal), we note that overall aluminium wire imports in the US are far from their historical peak levels, with imports from India making up only c.16% of total imports YTD and already showing a material deceleration in 2Q24 vs 1Q24. Hence, we remain constructive on US LV margins going forward as the higher industry consolidation following the Encore Wire acquisition drives a more price-disciplined end-market and Prysmian's position as the largest cable company in the world allows it to access both copper and aluminium at better terms compared to smaller peers.

We reiterate our Buy rating and raise our 12m price target to €73 (from €70), which implies c.20% upside to the current stock price vs. a sector average at 11%. We continue to be constructive on the back of:

- 1. Best-in-class HV backlog visibility.** With close to 9 years of backlog to 2023 sales visibility Prysmian, has a solid coverage of earnings in Solutions. While NKT has even higher levels of coverage at current capacity, what we see as clearly distinguishing of Prysmian vs peers is its more balanced coverage throughout the next 5 years based on our bottom-up contract-by-contract backlog phasing analysis ([Exhibit 30](#)). In light of the FY27 less favorable industry supply/demand balance we highlight above, we believe such a strong backlog visibility provides Prysmian with an edge over Nexans and NKT on their respective HV segments.
- 2. Telecom strongly recovering off trough due to datacenters exposure.** We see Prysmian's c.5% datacenter exposure (vs. c.3% Nexans and limited exposure for NKT, [Exhibit 35](#)) as well as its c.8% telecom exposure as a good source of diversification which better insulates its from rising HV over-capacity risk. Based on our capex tracker ([here](#)), we continue to see datacenters growing at an almost 24% CAGR through FY27 and, as destocking in North America has come to an end, we see Prysmian's telecom division growing at a c.7% CAGR over FY25-27 (also considering the Belden/Commscope/Corning/Furukawa positive read-across this week, [Exhibit 43](#)).
- 3. Market consolidation supporting structurally higher LV margins.** Through the acquisition of General Cable in 2018 and Encore Wire this year, we estimate that Prysmian more than quadrupled its market share in US LV. We believe that, thanks

to synergies and a more price-disciplined end-market, such a high degree of market consolidation will drive margins to sustainably higher levels than in the past.

Potential CMD in 1H25 as next major catalyst. We expect the potential CMD in 2025 to reflect better trends in Power Grid margins as well as an improved outlook post the Encore deal. We expect new 2025 EBITDA/FCF targets to be in the range of €2,400-2,500mn/€1,100-1,200mn, while new 2027 EBITDA/FCF targets to be in the range of €2,700-2,800mn/€1,400-1,500mn.

Exhibit 28: Prysmian company profile

Company data for 2023 unless otherwise specified

Segment	Transmission		Power Grids		Electrification		Digital Solutions	Group
	Submarine	Land HVDC	HVAC	Power Distribution	Industry & Construction	Specialties		
Products & Services	HVDC cable systems for power transmission for both land and submarine connections.		HVAC cable systems for power transmission for both land and submarine connections		Power cables for distribution infrastructure	Low- and medium-voltage cables, building wires, low fire hazard cables, fire-resistant cables, instrumentation and control cables, and accessories	Accessories for all types of energy cables backed by specialist engineering services	A world leader in cable systems and connectivity products. Optical fibre, optical and copper cables, connectivity components and accessories
End Market	Utilities (renewable developers, transmission system operators)		Utilities (renewable developers, transmission system operators)		Utilities	Construction	Industrial/specialty, automotive, renewables, specialist OEM, elevators	Telecom, data centres
Market Share*	40%	~25%		12%	c.47% of LV market share in NA		16%	
Revenue (% of total)*	10%	2%	3%	16%	33%	27%	8%	
Competitors	Nexans, NKT, Southwire		Nexans, NKT, Southwire		Nexans, NKT, Southwire, Cerrowire	Nexans, Southwire, Leoni, Eisewedy, AFC Cables	CommScope, Encore Wire, Nexans, Corning, Furukawa	
Adj EBITDA Margin*	13%	11%	7%	12%	12%	13%	9%	12%
Regional Mix	Projects		Energy & Infrastructure		Industrial & Network Components		Telecoms	Group*
End Market Mix								
	Additional Information							
Industry & Construction sales breakdown by market (2023)*								

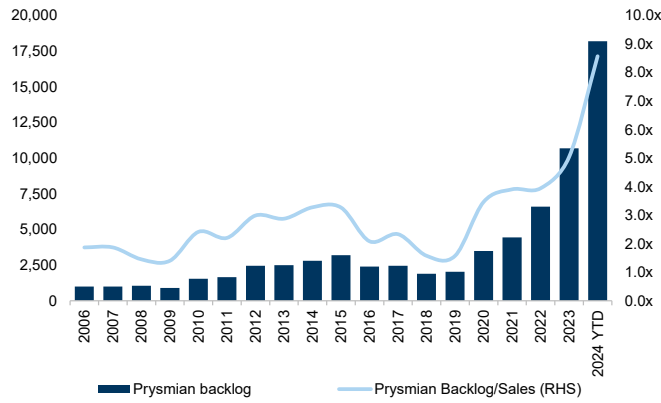
All data for 2023 unless otherwise mentioned

* Encore Wire pro-forma (for group exposure only regional mix is pro-forma); Market share based on 2021 data apart from LV (2023)

Pro-forma for Encore Wire.

Source: Company data, Data compiled by Goldman Sachs Global Investment Research

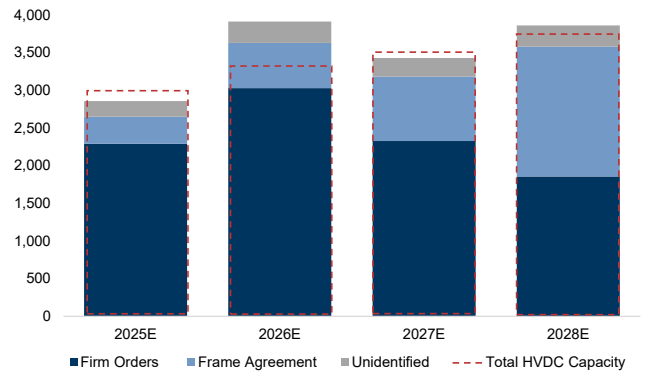
Exhibit 29: The award of several frame agreements has seen Prysmian's HV backlog increase by >4x over the past 4 years... Prysmian backlog (€mn) and backlog/current year sales



Source: Company data

Exhibit 30: ...and Prysmian has the highest backlog visibility among the cable stocks, with current backlog already filling in capacity until 2028

Prysmian contract by contract HVDC backlog phasing vs. HVDC capacity

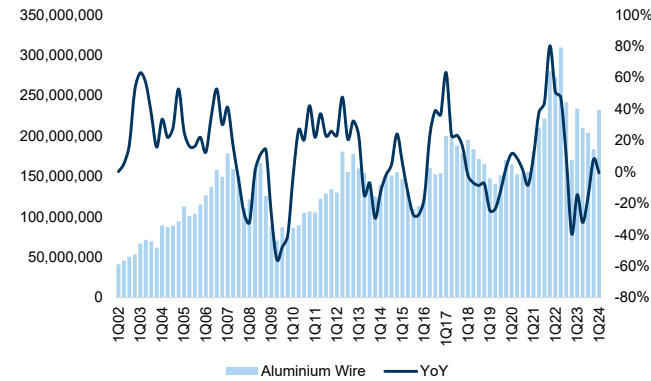


HVDC capacity might not take into full account additional capacity from new cable laying vessels.

Source: Company data, Goldman Sachs Global Investment Research

Exhibit 31: Aluminium wire imports in the US are far from the historical peak...

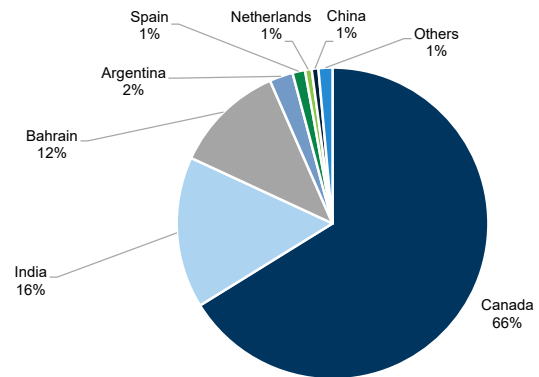
US aluminium wire imports (\$ LHS, % growth yoy RHS)



Source: USITC

Exhibit 32: ...with India making up c.16% of imports YTD...

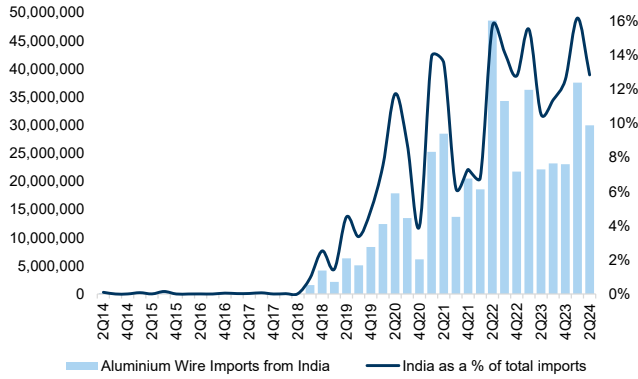
Jan-May 2024 US aluminium wire imports composition



Source: USITC

Exhibit 33: ...and already showing a sequential deceleration in 2024 vs 1Q24

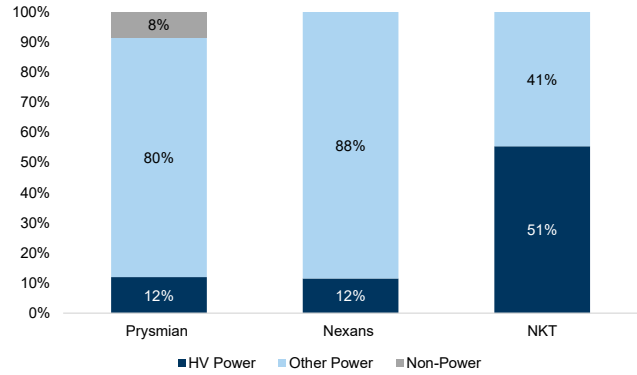
Aluminium wire imports from India (\$ LHS, % total RHS)



Source: USITC

Exhibit 34: Thanks to its Telecom exposure, Prysmian has the most diversified product portfolio among the three cable stocks

PRY/NEXS/NKT product mix (% 2023 Sales)

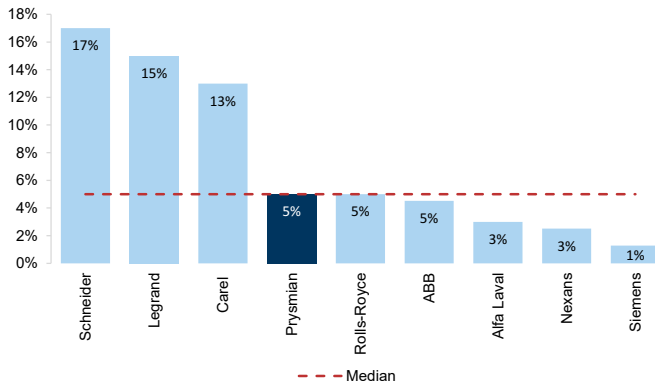


Prysmian pro-forma for Encore Wire.

Source: Company data

Exhibit 35: We see Prysmian as a beneficiary of fast-growing datacenters

Datacenter exposure % Sales (2023)

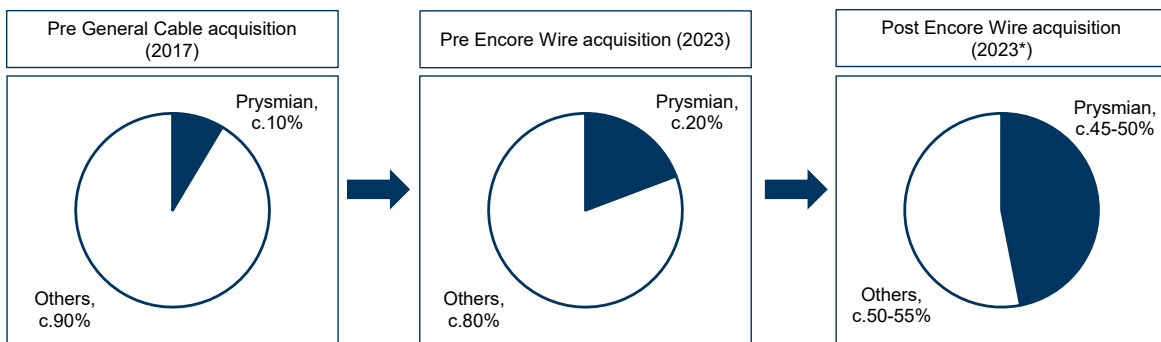


Prysmian pro-forma for Encore Wire.

Source: Company data

Exhibit 36: Since 2017, Prysmian has more than quadrupled its market share in US Low Voltage...

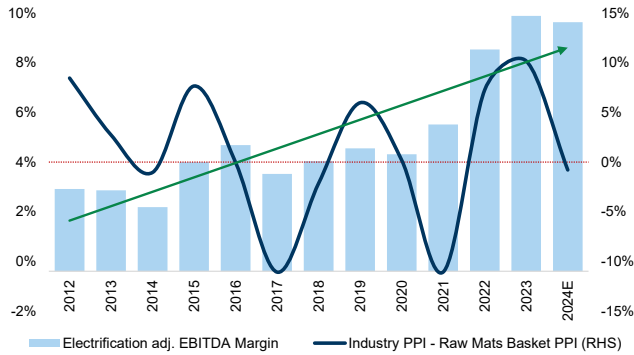
North America Low Voltage - Prysmian market share



*Prysmian pro-forma for Encore Wire.

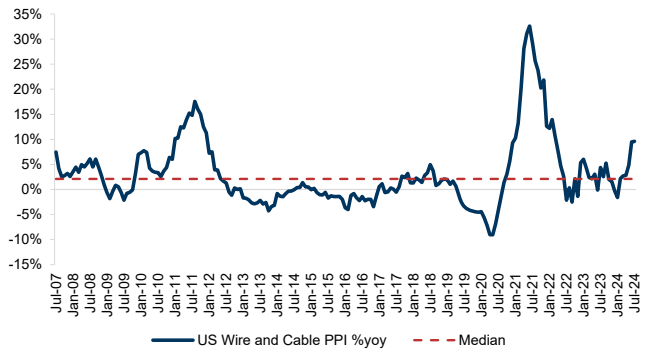
Source: Company data, Goldman Sachs Global Investment Research

Exhibit 37: ...which allowed it to expand LV margins
Prysmian Electrification adj. EBITDA margin vs. Industry PPI-Raw Mats Basket PPI



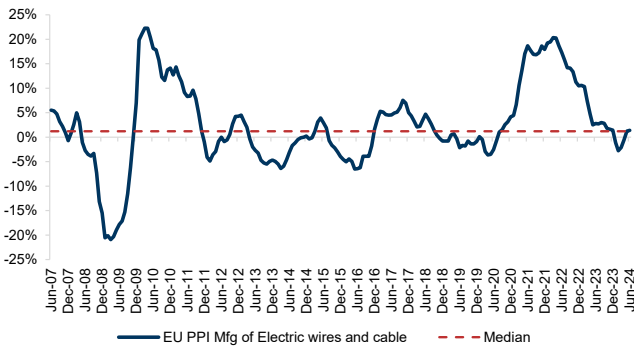
Source: Company data, Goldman Sachs Global Investment Research, Refinitiv Eikon

Exhibit 38: We are starting to see less negative PPI dynamics in the US...
US Wire and Cable PPI



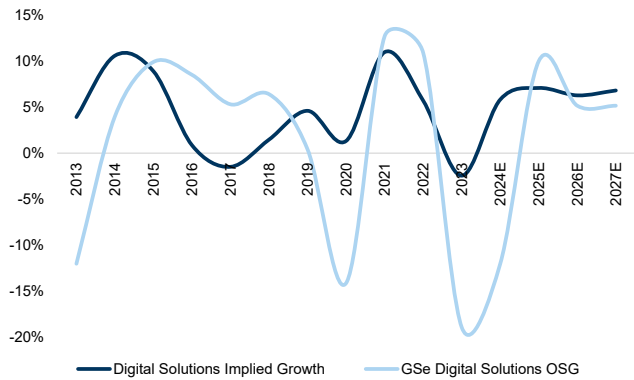
Source: US Bureau of Labor Statistics

Exhibit 39: ...and marginally also in Europe
EU PPI Mfg of Electric wires and cable



Source: Eurostat

Exhibit 40: We see Digital Solutions growing at a c.7% CAGR over FY25-27 as destocking in North America comes to an end and growth picks up, supported by datacenters
Digital Solutions bottom-up capex tracker implied growth vs GSe



2023 Digital Industries end market exposure: 10% Datacenters, 90% Telecom.

Source: Company data, Goldman Sachs Global Investment Research

Exhibit 42: ...which leaves us c.1%/3% above consensus on FY24/25E EBITDA

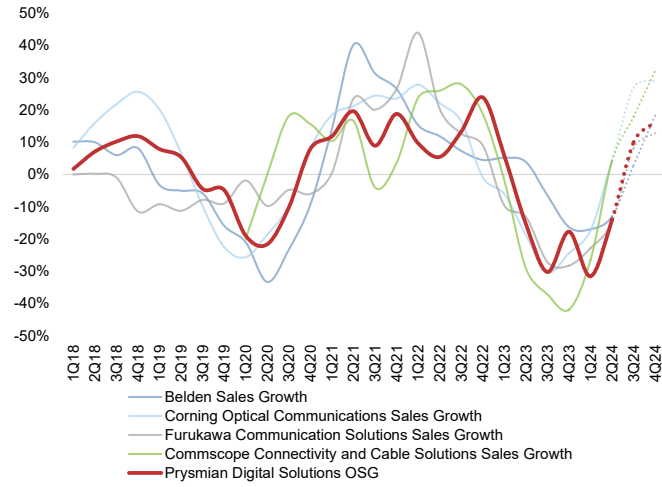
Prysmian GSe. vs. Visible Alpha Consensus Data

Prysmian € mn	Visible Alpha Consensus				GSe				GSe vs. VA Consensus			
	2024	2025	2026	2027	2024	2025	2026	2027	2024	2025	2026	2027
Group sales	16,883	19,507	20,751	21,812	17,065	19,820	20,946	22,437	1.1%	1.6%	0.9%	2.9%
Transmission	2,320	2,804	3,265	3,662	2,390	3,025	3,177	3,629	3.0%	7.9%	-2.7%	-0.9%
Power Grid	3,582	3,812	4,070	4,255	3,598	4,020	4,291	4,582	0.4%	5.5%	5.4%	7.7%
Electrification	9,111	10,290	10,656	11,023	9,695	11,276	11,903	12,570	6.4%	9.6%	11.7%	14.0%
Digital Solutions (prior Telecoms)	1,364	1,532	1,629	1,700	1,382	1,499	1,576	1,657	1.3%	-2.2%	-3.2%	-2.6%
Organic sales growth (%)	0.8%	7.0%	6.1%	5.1%	-0.7%	6.1%	5.7%	7.1%	-1.5pp	-0.9pp	-0.5pp	+2.1pp
Transmission	10.0%	21.4%	16.2%	14.2%	10.3%	25.0%	5.0%	14.2%	+0.3pp	+3.6pp	-11.2pp	+0.1pp
Power Grid	3.7%	6.2%	6.6%	4.7%	3.8%	10.0%	6.8%	6.8%	+0.1pp	+3.8pp	+0.2pp	+2.1pp
Electrification	-1.5%	3.4%	3.5%	3.4%	-4.0%	-0.3%	5.6%	5.6%	-2.5pp	-3.7pp	+2.1pp	+2.2pp
Digital Solutions (prior Telecoms)	-9.1%	10.4%	6.2%	4.6%	-8.0%	8.0%	5.2%	5.2%	+1.1pp	-2.4pp	-1.0pp	+0.6pp
Adj. EBITDA	1,947	2,388	2,597	2,745	1,962	2,447	2,593	2,783	0.8%	2.5%	-0.1%	1.4%
Transmission	337	445	539	609	350	511	522	591	3.7%	14.8%	-3.0%	-3.0%
Power Grid	467	494	519	540	492	564	622	671	5.3%	14.4%	19.7%	24.2%
Electrification	899	1,067	1,104	1,127	957	1,153	1,213	1,266	6.4%	8.0%	9.9%	12.3%
Digital Solutions (prior Telecoms)	162	196	224	239	164	219	237	256	1.0%	11.7%	5.8%	6.8%
Adj. EBITDA margin. (%)	11.5%	12.2%	12.5%	12.6%	11.5%	12.3%	12.4%	12.4%	-0.0pp	+0.1pp	-0.1pp	-0.2pp
Transmission	14.5%	15.9%	16.5%	16.6%	14.6%	16.9%	16.4%	16.3%	+0.1pp	+1.0pp	-0.1pp	-0.3pp
Power Grid	13.0%	12.9%	12.8%	12.7%	13.7%	14.0%	14.5%	14.6%	+0.6pp	+1.1pp	+1.7pp	+1.9pp
Electrification	9.9%	10.4%	10.4%	10.2%	9.9%	10.2%	10.2%	10.1%	-0.0pp	-0.2pp	-0.2pp	-0.2pp
Digital Solutions (prior Telecoms)	11.9%	12.8%	13.7%	14.1%	11.8%	14.6%	15.0%	15.4%	-0.0pp	+1.8pp	+1.3pp	+1.4pp
Free cash flow	890	1,064	1,105	1,471	884	1,195	1,304	1,454	-0.7%	12.4%	18.0%	-1.1%

Source: Company data, Goldman Sachs Global Investment Research, Visible Alpha Consensus Data

Exhibit 43: We materially raise our Digital Solutions FY24/25 forecasts on the back of better-than-expected 2024 results and positive read-across from upstream fiber peers

Belden Sales Growth vs. Prysmian Digital Solutions OSG



3Q/4Q24 Prysmian GSe, others based on Visible Alpha consensus.

Source: Company data, Goldman Sachs Global Investment Research

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Valuation

We are Buy-rated on Prysmian. We raise our 12-month price target to €73 (was €70) on the back of slightly higher estimates as well as the roll-over of our EV/IC to ROIC/WACC valuation methodology to 6m 2025/6m 2026E (from 3m 2025/9m 2026E).

Key risks to our view and price target on Prysmian include: (1) Delays, cancellations or execution issues in the backlog; (2) Value-dilutive M&A; (3) Integration issues with Encore Wire; and (4) Pricing pressure from increased LV competition.

Exhibit 44: Our 12-month price target of €73 is derived using our EV/IC vs. ROIC/WACC framework

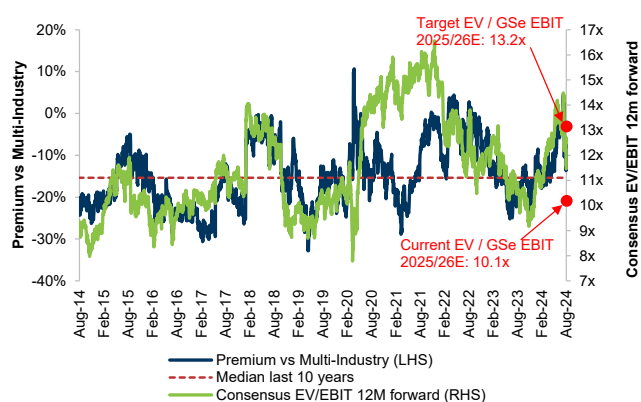
Prysmian 12m price target calculation

Prysmian Target Price Calculation	
EV/IC to ROIC/WACC (100%)	
Growth rate	5.5%
ROIC 24m fwd GSe	14.9%
WACC GSe	9.0%
ROIC/WACC 24m fwd GSe	1.65x
Implied multiplier	1.6
Invested Capital 24m fwd GSe	9,668
(1) EV/IC to ROIC/WACC Implied EV (€)	25,898
<hr/>	
Net Debt 12m fwd GSe	4,057
Other adjustments 12m fwd GSe	2,181
Market Cap	19,660
<hr/>	
Shares	272
Target Price	73.0
<hr/>	
EBIT 24m fwd GSe	1,965
Implied EV/EBIT	13.2x

Source: Company data, Goldman Sachs Global Investment Research

Exhibit 45: Prysmian is currently trading at a higher discount to Multi-Industry than its historical average; we think higher backlog visibility, stronger industry fundamentals and more diversified product/geographical exposure compared to history should allow it to re-rate...

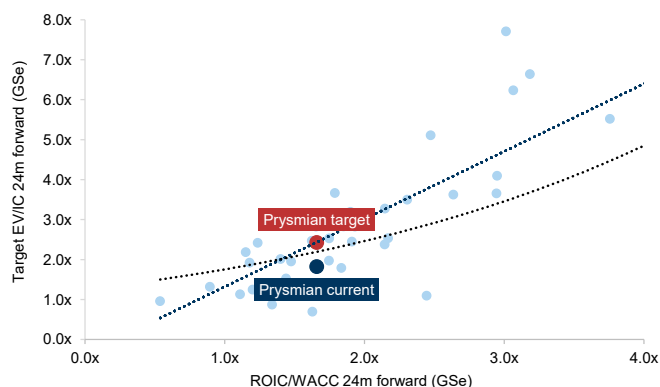
Consensus 12m forward EV/EBIT and premium/discount to capital goods



Source: Company data, Goldman Sachs Global Investment Research, Eikon Datastream

Exhibit 46: ...and trade in line with the sector implied EV/IC to ROIC/WACC trendline

EV/IC to ROIC/WACC, linear trendline



Source: Goldman Sachs Global Investment Research, FactSet

Exhibit 47: Prysman implied and trading multiples

Prysmian PT implied multiples				
	2024E	2025E	2026E	24m fwd
EV/EBIT	16.8x	12.8x	11.8x	12.3x
EV/Sales	1.5x	1.3x	1.2x	1.3x
P/E	18.6x	14.3x	12.8x	13.5x
Dividend yield	1.1%	1.6%	1.7%	1.6%
FCF yield	3.5%	4.9%	5.6%	5.3%

Prysmian trading multiples				
	2024E	2025E	2026E	24m fwd
EV/EBIT	13.1x	10.0x	9.2x	9.6x
EV/Sales	1.2x	1.0x	1.0x	1.0x
P/E	15.0x	11.6x	10.4x	10.9x
Dividend yield	1.4%	2.0%	2.1%	2.0%
FCF yield	4.2%	5.9%	6.7%	6.3%

10 yr historical median	
	12m forward
EV/EBIT	10.5x
EV/Sales	0.7x
P/E	9.4x

PT Implied multiples vs. EU Multi-Industry trading multiples (median)				
	2024E	2025E	2026E	24m fwd
EV/EBIT	20.5%	5.6%	22.4%	16.4%
EV/Sales	-17.7%	-21.6%	-19.9%	-20.2%
P/E	11.7%	-13.6%	1.1%	-6.3%
Dividend yield	-1.1pp	-1.1pp	-1.2pp	-1.2pp
FCF yield	-1.0pp	-0.8pp	-1.0pp	-0.6pp

Trading multiples vs. EU Multi-Industry multiples				
	2024E	2025E	2026E	24m fwd
EV/EBIT	-6.1%	-17.7%	-4.6%	-9.3%
EV/Sales	-35.9%	-38.9%	-37.6%	-37.8%
P/E	-9.7%	-30.2%	-18.3%	-24.2%
Dividend yield	-0.8pp	-0.7pp	-0.9pp	-0.8pp
FCF yield	-0.4pp	0.2pp	0.0pp	0.4pp

Prysmian hist. vs EU Multi-Industry hist.	
	12m forward
EV/EBIT	-17.3%
EV/Sales	-41.9%
P/E	-43.0%

Source: Goldman Sachs Global Investment Research, Refinitiv Eikon

Nexans - Low backlog visibility, down to Neutral

We downgrade Nexans to Neutral (from Buy) as our updated price target of €117 (was €114) implies 4% downside to the current stock price vs. 11% median upside for the sector ([Exhibit 1](#)).

Post 2Q24, **we raise our 2024/25 Usage EBITDA estimates by c.8%/5% and Non-electrification by 21%/16% to reflect stronger-than-expected LV results.** However, **we also lower our 2024/25 G&T EBITDA estimates by c.15%/4% to reflect Great Sea Interconnector material delay risk.** Overall, **this leaves us c.4%/6% below VA Consensus on 2024/25E EBITDA.**

We see more risks to Nexans HV earnings than peers. Nexans' backlog and frame agreements equate to 7.5 years of current sales for its G&T division (vs. 10.7/8.8 years for NKT/Prysmian); while this might seem high visibility, it is highly dependent on timely execution of the Great Sea Interconnector project in the near term, which makes up >20% of its backlog and would be too late to replace with new contracts in case of continuing material delays. Furthermore, based on our contract-by-contract backlog phasing, Nexans' HVDC capacity for FY27-28 looks less than 50% booked as many of the contracts it has been awarded extend into the 2030s ([Exhibit 49](#)). If the Great Sea Interconnector were not to be executed, we estimate that the current backlog would fill in <1/3 of FY27/28 capacity, making it challenging for Nexans to completely fill in capacity considering FY27 is expected to be the year when most additional industry capacity comes online. In light of the current capacity increase announcements by other companies and regulatory risks around US/EU elections, we see a higher risk of underutilisation at Nexans than for its peers.

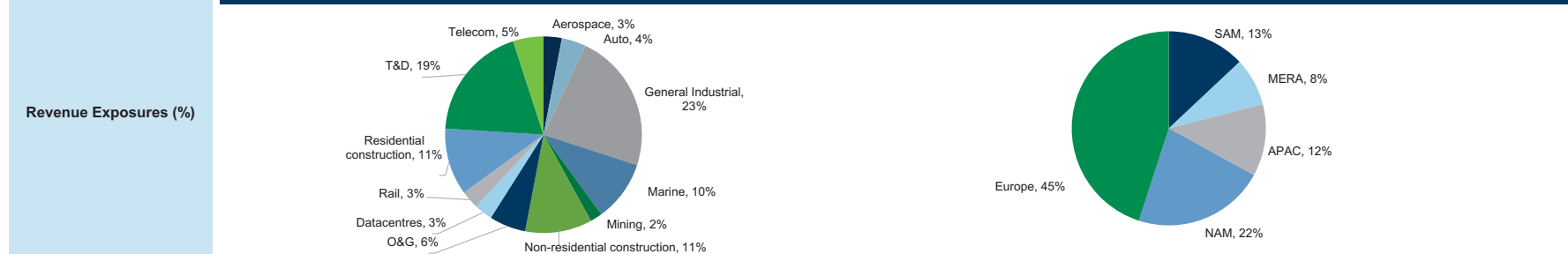
However, we also note that **Nexans is one of the best performers in our coverage during through-to-peak PMI phases ([Exhibit 52](#)), which we believe makes it well positioned to benefit from a European recovery ([Exhibit 51](#)),** and the stock does not look as expensive as NKT on valuation ([Exhibit 53](#)). Moreover, Nexans has stated its intention to divest its Auto Harnesses business and other Non-electrification portfolio to become a pure-play electrical cable and systems supplier, which we see as a potential catalyst for a stock re-rating.

Exhibit 48: Nexans Company Profile

Company data for 2023 unless otherwise specified

Segment	Usages	Distribution	Generation & Transmission	Non-Electrification	Other Activities
Portfolio Mix	Electrification Portfolio (c.60% Sales)			Non-Electrification Portfolio (c.40% Sales)	
Products & Services	Equipment cables for the building market (industrial, commercial and residential construction projects)	Power cables for distribution infrastructure	Power cables for transmission infrastructure	Harnesses and cables for the shipbuilding, railroad, aeronautics, oil and automation industries	Produces wire rods and winding wire that serve as the base for the production of cables
End Market	Construction	Utilities (Distribution)	Utilities (Transmission)	Transport, Resources	Utilities
Competitors	Prysmian, NKT	Prysmian, NKT	Prysmian, NKT, Sumitomo Electric, Hellenic Cables, LS Cable	Leoni, Sumitomo, Prysmian, NKT	
Sales (std. metal prices)	28%	21%	12%	24%	14%
Adj. EBITDA Margin (std. metal prices)	14%	13%	10%	11%	1%

Group by End Market & Region



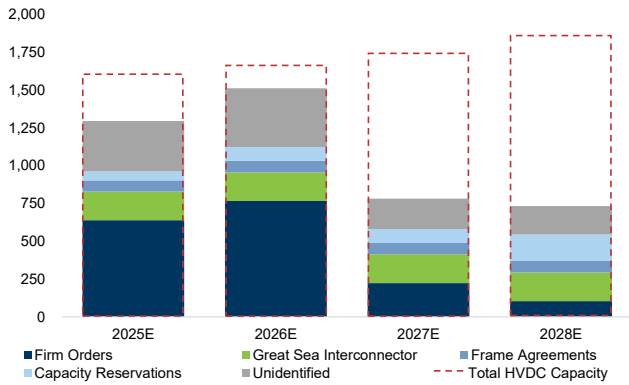
All data for 2023 unless mentioned otherwise

Pro-forma for La Triveneta Cavi.

Source: Company data, Data compiled by Goldman Sachs Global Investment Research

Exhibit 49: Nexans' current HVDC capacity seems substantially unfilled for the medium term...

Nexans contract by contract HVDC backlog phasing vs. HVDC capacity

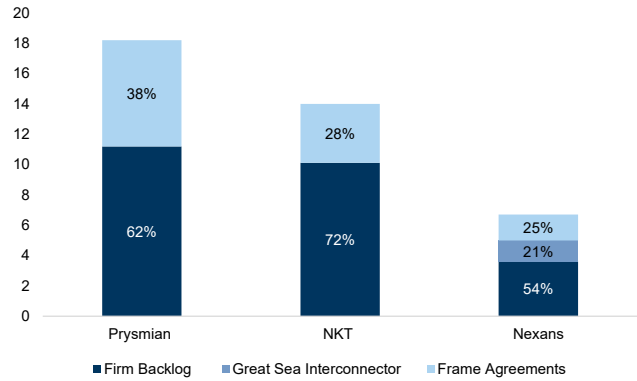


HVDC capacity might not take into full account additional capacity from new cable laying vessels.

Source: Company data, Goldman Sachs Global Investment Research

Exhibit 50: ...and the Great Sea Interconnector makes up >20% of its backlog

Current PRY/NKT/NEXS backlog (€bn)

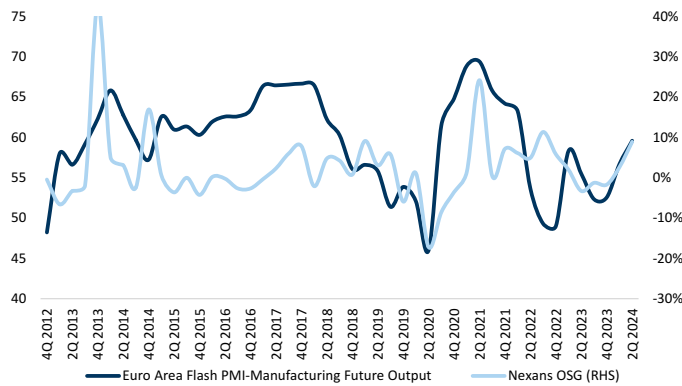


Note that the Great Sea Interconnector is formerly known as the EuroAsia Interconnector.

Source: Company data, Goldman Sachs Global Investment Research

Exhibit 51: ...but Nexans looks well positioned to benefit from a European recovery...

Nexans OSG vs Euro Area PMI



Source: Company data, Goldman Sachs Global Investment Research, Thomson Reuters Eikon

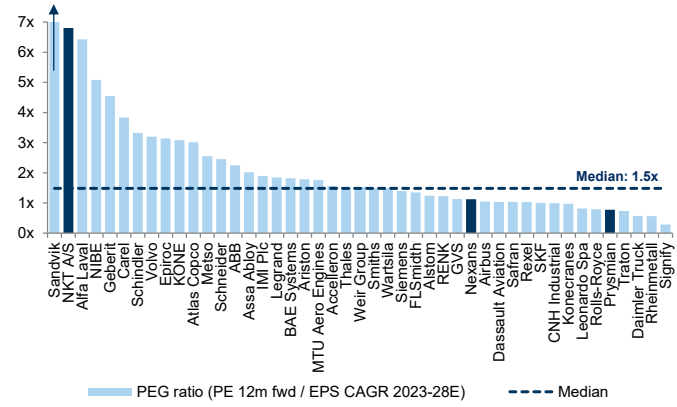
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Exhibit 52: ...as it has been one of the top performers during prior 'trough-to-peak' PMI phases...

"Trough-to-Peak" Global Manufacturing PMI phases						
Company Name	Avg 3-month annualised performance	# of times in Top quartile performers	Company Name	Avg 3-month annualised performance	# of times in Bottom quartile performers	
Single stocks	NKT A/S	53%	5	Thales	16%	6
	Nexans	52%	5	Rolls-Royce	34%	5
	Volvo Group	43%	4	Leonardo Spa	31%	5
	Siemens AG	45%	4	Dassault Aviation	28%	5
	Safran	53%	4	BAE Systems	16%	5
	Thales	16%	3	Alstom	22%	5
	SKF	49%	3	Rheinmetall	37%	4
	Leonardo Spa	31%	3	SKF	49%	3
	Atlas Copco	51%	3	Schindler Holding	34%	3
	Assa Abloy B	30%	3	Sandvik	44%	3
	Airbus	43%	3	Wartsila	30%	2
	ABB Ltd.	52%	3	Volvo Group	43%	2
	Wartsila	30%	2	Schneider Electric	38%	2
	Signify NV	56%	2	Safran	53%	2
	Schindler Holding	34%	2	Nexans	52%	2
	Sandvik	44%	2	MTU Aero Engines	40%	2
	Rexel S.A.	46%	2	Konecranes	39%	2
	Prysmian	34%	2	KONE Corp.	40%	2
	Konecranes	39%	2	CNH Industrial	52%	2
	Alstom	22%	2	Assa Abloy B	30%	2
	Alfa Laval	48%	2	Siemens AG	45%	1
	Schneider Electric	38%	1	Rexel S.A.	46%	1
	Rolls-Royce	34%	1	Prysmian	34%	1
	Rheinmetall	37%	1	NKT A/S	53%	1
	MTU Aero Engines	40%	1	Atlas Copco	51%	1
	Legrand	33%	1	Airbus	43%	1
	KONE Corp.	40%	1	ABB Ltd.	52%	1
	Geberit Holding	38%	1	Signify NV	56%	0
	Dassault Aviation	28%	1	Legrand	33%	0
	CNH Industrial	52%	1	Geberit Holding	38%	0
	BAE Systems	16%	1	Alfa Laval	48%	0
	Styles	Short Cycle	46%	5	A&D	35%
A&D		35%	4	Short Cycle	46%	4
High Quality		40%	3	Small/Mid Cap	38%	4
Cap Goods		44%	3	Late Cycle	41%	2
Late Cycle		41%	2	High Quality	40%	2
Low Quality		42%	1	Cap Goods	44%	2
Small/Mid Cap		38%	1	Large Cap	42%	1
Large Cap		42%	1	Low Quality	42%	0

Source: Datastream, Haver Analytics, Goldman Sachs Global Investment Research

Exhibit 53: ...and it does not look as expensive as NKT on valuation
PEG ratio (P/E 12m fwd/EPS CAGR 2023-28E)



Source: Factset, Goldman Sachs Global Investment Research

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Exhibit 54: We slightly raise FY24/25 EBITDA estimates post higher-than-expected 2024 profitability...

Nexans new vs. old

Nexans	Actual vs Estimate			Old					New					New vs. Old (%)				
	1H 2024E	1H 2024	% change	2024E	2025E	2026E	2027E	2028E	2024E	2025E	2026E	2027E	2028E	2024E	2025E	2026E	2027E	2028E
€ mn																		
Sales (at constant metal prices)																		
Generation & Transmission	521	622	19.4%	1,230	1,291	1,549	1,626	1,870	1,315	1,509	1,811	1,902	2,187	6.9%	16.9%	16.9%	16.9%	16.9%
Distribution	651	635	-2.4%	1,364	1,283	1,373	1,469	1,542	1,257	1,381	1,477	1,581	1,660	-7.8%	7.6%	7.6%	7.6%	7.6%
Usage	920	989	7.5%	1,971	2,227	2,316	2,409	2,505	2,127	2,428	2,525	2,626	2,731	7.9%	9.0%	9.0%	9.0%	9.0%
Non-electrification	903	890	-1.5%	1,791	1,844	1,936	2,033	2,135	1,735	1,757	1,845	1,937	2,034	-3.1%	-4.7%	-4.7%	-4.7%	-4.7%
Other	419	410	-2.2%	763	747	747	747	747	760	531	531	531	531	-0.3%	-29.0%	-29.0%	-29.0%	-29.0%
Group	3,415	3,546	3.8%	7,118	7,392	7,922	8,285	8,800	7,194	7,606	8,189	8,576	9,142	1.1%	2.9%	3.4%	3.5%	3.9%
Organic Sales Growth (at const. metal prices)																		
Generation & Transmission	35.0%	64.0%	29.0p.p	40.0%	5.0%	20.0%	5.0%	15.0%	50.0%	15.0%	20.0%	5.0%	15.0%	10.0p.p	10.0p.p	0.0p.p	0.0p.p	0.0p.p
Distribution	3.0%	2.4%	-0.6p.p	10.0%	10.0%	7.0%	7.0%	5.0%	2.0%	10.0%	7.0%	7.0%	5.0%	-8.0p.p	0.0p.p	0.0p.p	0.0p.p	0.0p.p
Usage	-2.0%	1.0%	3.0p.p	-1.0%	2.0%	4.0%	4.0%	4.0%	3.0%	1.0%	4.0%	4.0%	4.0%	4.0p.p	-1.0p.p	0.0p.p	0.0p.p	0.0p.p
Non-electrification	-1.0%	-1.6%	-0.6p.p	1.0%	3.0%	5.0%	5.0%	5.0%	-2.0%	1.5%	5.0%	5.0%	5.0%	-3.0p.p	-1.5p.p	0.0p.p	0.0p.p	0.0p.p
Other	-7.0%	-11.8%	-4.8p.p	-27.0%	-2.0%	0.0%	0.0%	0.0%	-27.0%	-30.0%	0.0%	0.0%	0.0%	0.0p.p	-28.0p.p	0.0p.p	0.0p.p	0.0p.p
Group	2.6%	6.1%	3.5p.p	2.9%	3.9%	7.2%	4.6%	6.2%	3.0%	2.0%	7.7%	4.7%	6.6%	0.1p.p	-1.9p.p	0.5p.p	0.1p.p	0.4p.p
Adj. EBITDA - by division																		
Generation & Transmission	59	68	15.7%	152	186	244	289	343	130	179	242	248	282	-14.5%	-3.9%	-0.7%	-14.2%	-17.8%
Distribution	88	99	12.7%	183	205	217	229	236	191	211	224	237	244	4.3%	2.9%	3.2%	3.4%	3.5%
Usage	100	139	38.4%	225	247	253	258	263	243	259	274	280	286	8.2%	4.5%	8.6%	8.6%	8.6%
Non-electrification	78	114	46.7%	161	161	172	184	196	195	187	198	209	220	21.0%	16.0%	14.7%	13.5%	12.3%
Other	3	-7		13	16	16	17	17	(12)	(22)	(20)	(19)	(17)					
Group	328	412	25.6%	730	811	899	975	1,056	748	813	917	955	1,016	2.5%	0.2%	2.0%	-2.1%	-3.8%
Group pre Other	325	420	29.3%	716	796	883	958	1,039	760	835	938	973	1,033	6.1%	5.0%	6.2%	1.6%	-0.6%
Adj. EBITDA margin																		
Generation & Transmission	11.3%	10.9%	-0.3p.p	12.4%	14.4%	15.8%	17.8%	18.3%	9.9%	11.8%	13.4%	13.0%	12.9%	-2.5p.p	-2.6p.p	-2.4p.p	-4.7p.p	-5.4p.p
Distribution	13.5%	15.6%	2.1p.p	13.4%	16.0%	15.8%	15.6%	15.3%	15.2%	15.3%	15.1%	15.0%	14.7%	1.8p.p	-0.7p.p	-0.7p.p	-0.6p.p	-0.6p.p
Usage	10.9%	14.1%	3.1p.p	11.4%	11.1%	10.9%	10.7%	10.5%	11.4%	10.7%	10.9%	10.7%	10.5%	0.0p.p	-0.5p.p	0.0p.p	0.0p.p	0.0p.p
Non-electrification	8.6%	12.8%	4.2p.p	9.0%	8.7%	8.9%	9.0%	9.2%	11.3%	10.6%	10.7%	10.8%	10.8%	2.2p.p	1.9p.p	1.8p.p	1.7p.p	1.6p.p
Other	0.8%	-1.7%	-2.5p.p	1.7%	2.1%	2.1%	2.2%	2.3%	-1.6%	-4.2%	-3.8%	-3.5%	-3.2%	-3.3p.p	-6.3p.p	-6.0p.p	-5.7p.p	-5.4p.p
Group	9.6%	11.6%	2.0p.p	10.2%	11.0%	11.3%	11.8%	12.0%	10.4%	10.7%	11.2%	11.1%	11.1%	0.1p.p	-0.3p.p	-0.1p.p	-0.6p.p	-0.9p.p
Basic EPS	2.69	3.98	48.0%	7.04	8.40	9.81	11.02	12.32	6.42	6.98	8.67	9.23	10.19	-8.8%	-16.9%	-11.6%	-16.3%	-17.3%

EPS here is post exceptionals; sales presented at constant metal prices which do not match our sales using GS forecast metal prices.

Source: Company data, Goldman Sachs Global Investment Research

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Exhibit 55: ..but remain c.4%/6% below the Street on FY24/25E EBITDA

Nexans GSe. vs. Visible Alpha Consensus Data

Nexans € mn	VA Consensus					GSe					GSe vs. Consensus (%)				
	2024E	2025E	2026E	2027E	2028E	2024E	2025E	2026E	2027E	2028E	2024E	2025E	2026E	2027E	2028E
Group Sales (at constant metal prices)	7,092	7,575	7,802	8,271	8,557	7,194	7,606	8,189	8,576	9,142	1.4%	0.4%	5.0%	3.7%	6.8%
Group Organic Sales Growth	4.4%	2.1%	2.5%	4.3%	4.3%	3.0%	2.0%	7.7%	4.7%	6.6%	-1.3p.p	-0.1p.p	5.1p.p	0.4p.p	2.3p.p
Group adj. EBITDA	778	864	926	991	1,032	748	813	917	955	1,016	-3.8%	-5.9%	-1.0%	-3.6%	-1.5%
Group Adj. EBITDA margin	11.0%	11.4%	11.9%	12.0%	12.1%	10.4%	10.7%	11.2%	11.1%	11.1%	-0.6p.p	-0.7p.p	-0.7p.p	-0.8p.p	-0.9p.p
Basic EPS	6.99	7.96	9.03	9.70	10.26	6.42	6.98	8.67	9.23	10.19	-8.1%	-12.3%	-3.9%	-4.8%	-0.7%
DPS	2.75	2.84	3.39	3.72	4.09	2.47	2.88	3.48	3.68	4.04	-10.1%	1.5%	2.6%	-0.9%	-1.2%
Normalised FCF	n.a.	n.a.	n.a.	n.a.	n.a.	279	307	341	325	372	n.a.	n.a.	n.a.	n.a.	n.a.

Company Guidance: 2024 EBITDA €750-800mn

Company Guidance: Normalised FCF of €275-375m

EPS here is post exceptionals; Starting 2023, the group adj. EBITDA excluded share-based payment expenses; sales presented at constant metal prices to be comparable with consensus. Divisional figures are not displayed due to comparability issues with Visible Alpha consensus.

Source: Company data, Goldman Sachs Global Investment Research

Valuation

We downgrade Nexans to Neutral (from Buy). Our 12-month price target increases to €117 (from €114) as we update our estimates and roll over our EV/IC to ROIC/WACC methodology by 3 months to 6m 2025/6m 2026E (from 3m 2025/9m 2026E), which implies no upside to the current stock price. Since being added to our Buy List on October 30, 2017, the shares are up 129% vs the FTSE World Europe up 29% (as of the market close of August 15, 2024).

Key upside risks to our view and price target include: (1) strategic divestment of Nexans' Auto Harnesses and other Non-electrification portfolio; (2) smaller-than-expected volume drops related to the recent macro environment; and (3) value-accretive M&A.

Key downside risks include: (1) larger-than-expected volume drops related to the recent macro environment; (2) management changes; (3) value-dilutive M&A; and (4) execution risks in the strategic M&A roadmap.

Exhibit 56: Our 12-month price target of €117 is derived using our EV/IC vs. ROIC/WACC framework

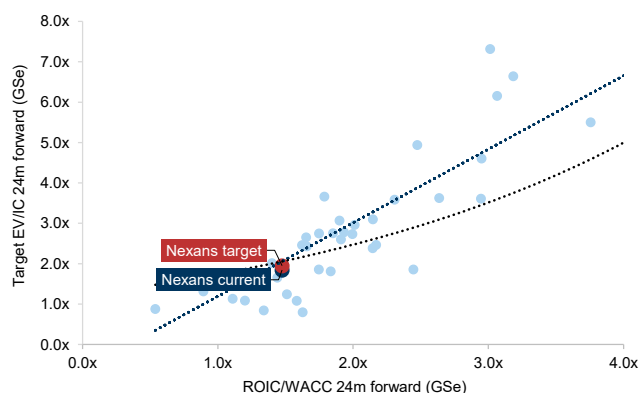
Nexans 12m price target calculation

Nexans Target Price Calculation	
Target Multiplier	1.1x
ROIC 24m fwd GSe	16.4%
WACC GSe	9.0%
ROIC/WACC 24m fwd GSe	1.8x
Invested Capital 24m fwd GSe	2,861
EV implied by EV/IC-ROIC/WACC (100%)	5,841
Net Debt (incl. leases) 12m fwd GSe	455
Other adjustments 12m fwd GSe	305
Market Cap	5,082
Shares	44
Target Price	117
EBIT 24m fwd GSe	627
Implied EV/EBIT	9.3x

Source: Company data, Goldman Sachs Global Investment Research

Exhibit 57: We believe Nexans should trade in line with the sector-implied trendline...

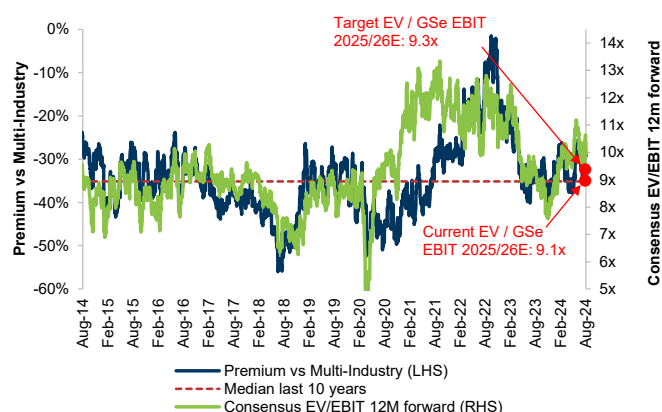
EV/IC to ROIC/WACC, linear trendline



Source: Goldman Sachs Global Investment Research, FactSet

Exhibit 58: ...and broadly in line with history

Consensus 12m forward EV/EBIT and premium/discount to capital goods



Source: Company data, Goldman Sachs Global Investment Research, Eikon Datastream

Exhibit 59: Nexans implied and trading multiples

Nexans PT implied multiples					Nexans trading multiples				10 yr historical median		
	2024E	2025E	2026E	24m fwd		2024E	2025E	2026E	24m fwd		12m forward
EV/EBIT	11.6x	10.0x	8.8x	9.4x	EV/EBIT	11.7x	10.1x	8.8x	9.4x	EV/EBIT	8.0x
EV/Sales	0.7x	0.7x	0.6x	0.6x	EV/Sales	0.7x	0.7x	0.6x	0.6x	EV/Sales	0.5x
P/E	16.2x	13.6x	11.6x	12.5x	P/E	16.2x	13.5x	11.6x	12.5x	P/E	18.0x
Dividend yield	2.5%	3.0%	3.4%	3.2%	Dividend yield	2.5%	3.0%	3.4%	3.2%		
FCF yield	4.1%	4.8%	6.7%	5.7%	FCF yield	4.1%	4.8%	6.7%	5.8%		

PT Implied multiples vs. EU Multi-Industry trading multiples (median)					Trading multiples vs. EU Multi-Industry multiples				Nexans hist. vs EU Multi-Industry hist.		
	2024E	2025E	2026E	24m fwd		2024E	2025E	2026E	24m fwd		12m forward
EV/EBIT	-16.8%	-17.5%	-9.3%	-11.5%	EV/EBIT	-16.4%	-17.0%	-8.8%	-11.0%	EV/EBIT	-36.7%
EV/Sales	-62.2%	-59.7%	-58.9%	-59.1%	EV/Sales	-62.0%	-59.5%	-58.7%	-58.8%	EV/Sales	-62.1%
P/E	-2.6%	-18.1%	-8.3%	-13.2%	P/E	-2.8%	-18.3%	-8.6%	-13.5%	P/E	9.3%
Dividend yield	0.3pp	0.3pp	0.5pp	0.4pp	Dividend yield	0.3pp	0.3pp	0.5pp	0.4pp		
FCF yield	-0.5pp	-0.9pp	0.0pp	-0.2pp	FCF yield	-0.5pp	-0.9pp	0.0pp	-0.2pp		

Source: Goldman Sachs Global Investment Research, Refinitiv Eikon

NKT full 2024 update

Exhibit 60: We make changes to revisit NKT mix post full 2024, FX and tax rate (which drives higher EPS)

€mn, € per share

NKT €mn	Old						New						New vs. Old (%)					
	2Q 2024E	2024E	2025E	2026E	2027E	2028E	2Q 2024E	2024E	2025E	2026E	2027E	2028E	2Q 2024E	2024E	2025E	2026E	2027E	2028E
Revenue (market prices)	820	3,092	3,368	3,632	4,401	5,021	802	3,105	3,417	3,684	4,460	5,086	-2%	0%	1%	1%	1%	1%
Revenue (std. metal prices)	605	2,380	2,475	2,678	3,306	3,807	605	2,394	2,473	2,676	3,304	3,805	0%	1%	0%	0%	0%	0%
Op. EBITDA (std. prices)	86	329	354	395	495	602	86	326	358	399	499	605	0%	-1%	1%	1%	1%	1%
Margin (%)	14.2%	13.8%	14.3%	14.8%	15.0%	15.8%	14.2%	13.6%	14.5%	14.9%	15.1%	15.9%	0.0 p.p.	-0.2 p.p.	0.2 p.p.	0.2 p.p.	0.1 p.p.	0.1 p.p.
EPS (€)	0.97	3.38	3.48	3.78	5.02	6.20	1.40	4.16	3.63	3.81	5.03	6.48	44%	23%	4%	1%	0%	5%
Revenue (std. metal prices)																		
NKT																		
- Solutions	384	1,519	1,519	1,671	2,256	2,707	379	1,519	1,519	1,671	2,256	2,707	-1%	0%	0%	0%	0%	0%
- Applications	182	691	772	811	851	894	175	692	759	797	837	879	-4%	0%	-2%	-2%	-2%	-2%
- Services & Accessories	54	230	246	263	282	301	64	240	257	275	294	315	18%	4%	4%	4%	4%	4%
- Eliminations	-15	-60	-62	-67	-93	-96	-13	-57	-62	-67	-83	-95	0%	1%	0%	0%	0%	0%
Group	605	2,380	2,475	2,678	3,306	3,807	605	2,394	2,473	2,676	3,304	3,805	0%	1%	0%	0%	0%	0%
Op. EBITDA (std. prices)																		
NKT																		
- Solutions	64	251	260	288	380	477	67	251	260	288	380	477	-4%	0%	0%	0%	0%	0%
- Applications	19	57	70	80	84	90	21	66	75	84	89	94	13%	16%	7%	6%	5%	5%
- Services & Accessories	6	25	29	33	37	42	5	21	33	37	42	46	-16%	-16%	14%	13%	12%	11%
- Holding	-3	-5	-5	-5	-6	-7	-7	-13	-10	-10	-11	-13	0%	-	-	-	-	-
Group	86	329	354	395	495	602	86	326	358	399	499	605	0%	-1%	1%	1%	1%	1%
Op. EBITDA margin (std. prices)																		
NKT																		
- Solutions	16.8%	16.5%	17.1%	17.2%	16.8%	17.6%	17.7%	16.5%	17.1%	17.2%	16.8%	17.6%	0.9 p.p.	0.0 p.p.	0.0 p.p.	0.0 p.p.	0.0 p.p.	0.0 p.p.
- Applications	10.2%	8.3%	9.1%	9.8%	9.9%	10.0%	12.0%	9.6%	9.8%	10.6%	10.6%	10.7%	1.8 p.p.	1.3 p.p.	0.8 p.p.	0.7 p.p.	0.7 p.p.	0.7 p.p.
- Services & Accessories	10.9%	11.0%	11.8%	12.5%	13.2%	13.8%	7.8%	8.9%	12.9%	13.6%	14.2%	14.8%	-3.1 p.p.	-2.1 p.p.	1.1 p.p.	1.1 p.p.	1.0 p.p.	0.9 p.p.
Group	14.2%	13.8%	14.3%	14.8%	15.0%	15.8%	14.2%	13.6%	14.5%	14.9%	15.1%	15.9%	0.0 p.p.	-0.2 p.p.	0.2 p.p.	0.2 p.p.	0.1 p.p.	0.1 p.p.

Note: FY24 EPS is up materially due to much lower tax rate after a change of regulation in Germany allowing the use of net operating losses as a tax deduction

Source: Company data, Goldman Sachs Global Investment Research

Exhibit 61: We are 2-12% below VisibleAlpha consensus adj. EBITDA for NKT between FY24-28E

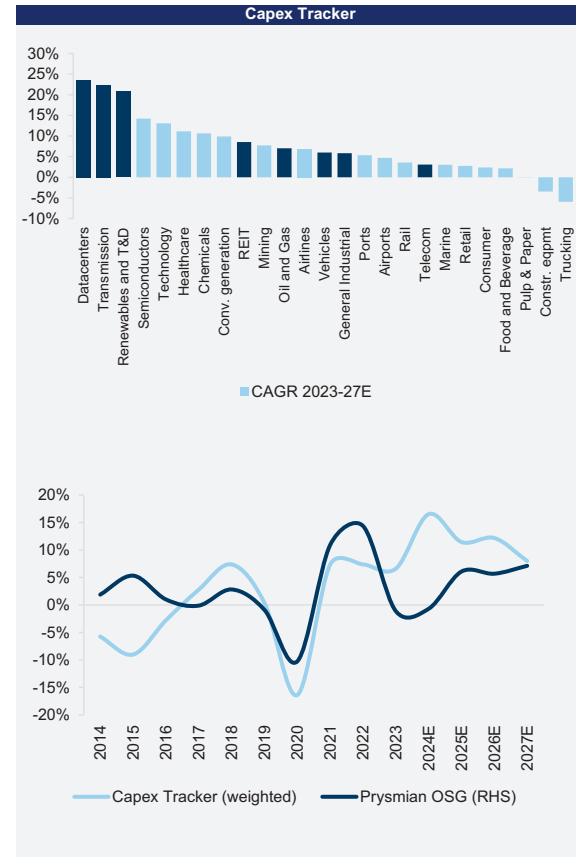
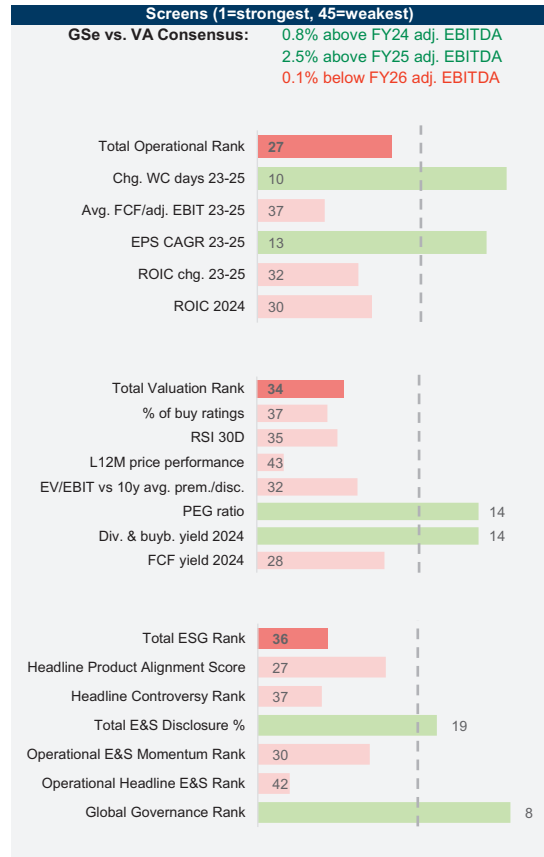
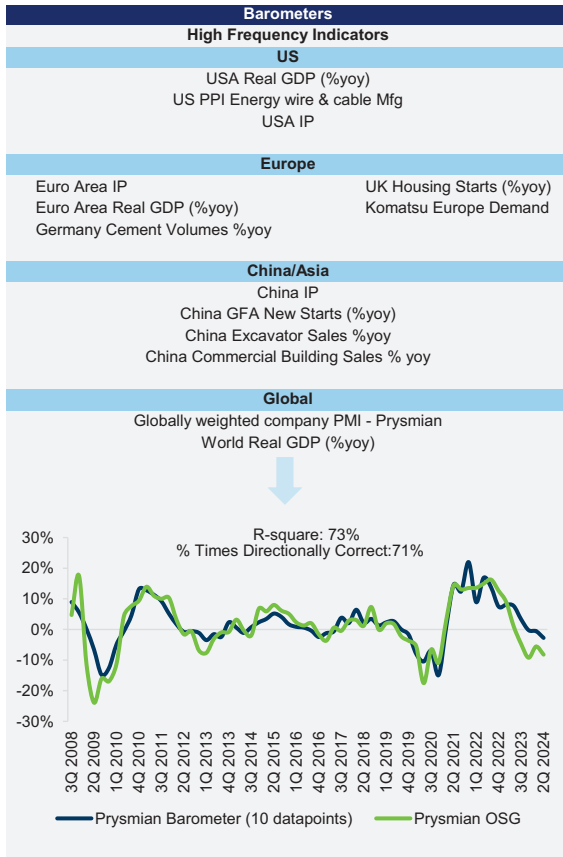
NKT €mn	Visible Alpha Consensus						GSe						GSe vs. VA Consensus					
	3Q 2024E	2024E	2025E	2026E	2027E	2028E	3Q 2024E	2024E	2025E	2026E	2027E	2028E	3Q 2024E	2024E	2025E	2026E	2027E	2028E
Revenue (std. metal prices)	605	2,346	2,475	2,617	3,147	3,701	612	2,394	2,473	2,676	3,304	3,805	1%	2%	0%	2%	5%	3%
Adj. EBITDA (std. prices)	86	335	369	407	532	687	87	326	358	399	499	605	1%	-2%	-3%	-2%	-6%	-12%
Margin (%)	14.2%	14.3%	14.9%	15.5%	16.9%	18.6%	14.2%	13.6%	14.5%	14.9%	15.1%	15.9%	0.0 p.p.	-0.6 p.p.	-0.4 p.p.	-0.6 p.p.	-1.8 p.p.	-2.7 p.p.
Revenue (std. prices)																		
- Solutions	391	1,482	1,489	1,550	1,983	2,487	391	1,519	1,519	1,671	2,256	2,707	0%	3%	2%	8%	14%	9%
- Applications	177	687	774	842	936	977	183	692	759	797	837	879	3%	1%	-2%	-5%	-11%	-10%
- Services & Accessories	53	241	264	280	297	311	52	240	257	275	294	315	-1%	-1%	-3%	-2%	-1%	1%
- Eliminations	-15	-64	-69	-72	-87	-95	-14	-57	-62	-67	-83	-95	-	-	-	-	-	-
Group	606	2,346	2,475	2,617	3,147	3,701	612	2,394	2,473	2,676	3,304	3,805	1%	2%	0%	2%	5%	3%
Adj. EBITDA (std. prices)																		
- Solutions	68	247	265	287	392	543	69	251	260	288	380	477	1%	2%	-2%	0%	-3%	-12%
- Applications	18	68	81	95	111	114	18	66	75	84	89	94	-1%	-2%	-8%	-11%	-20%	-17%
- Services & Accessories	6	26	30	33	37	39	5	21	33	37	42	46	-13%	-17%	9%	12%	14%	20%
- Eliminations	0	-6	-7	-8	-9	-9	-5	-13	-10	-10	-11	-13	-	-	-	-	-	-
Group	92	335	369	407	532	687	87	326	358	399	499	605	-6%	-2%	-3%	-2%	-6%	-12%
Adj. EBITDA margin (std. prices)																		
- Solutions	17.4%	16.6%	17.8%	18.5%	19.8%	21.8%	17.5%	16.5%	17.1%	17.2%	16.8%	17.6%	0.1 p.p.	-0.1 p.p.	-0.7 p.p.	-1.3 p.p.	-2.9 p.p.	-4.2 p.p.
- Applications	10.2%	9.9%	10.5%	11.3%	11.9%	11.6%	9.7%	9.6%	9.8%	10.6%	10.6%	10.7%	-0.5 p.p.	-0.3 p.p.	-0.6 p.p.	-0.7 p.p.	-1.3 p.p.	-0.9 p.p.
- Services & Accessories	11.7%	10.7%	11.5%	11.9%	12.3%	12.4%	10.4%	8.9%	12.9%	13.6%	14.2%	14.8%	-1.3 p.p.	-1.8 p.p.	1.4 p.p.	1.6 p.p.	1.9 p.p.	2.3 p.p.
Group	15.2%	14.3%	14.9%	15.5%	16.9%	18.6%	14.2%	13.6%	14.5%	14.9%	15.1%	15.9%	-1.1 p.p.	-0.6 p.p.	-0.4 p.p.	-0.6 p.p.	-1.8 p.p.	-2.7 p.p.

Source: Visible Alpha Consensus Data, Goldman Sachs Global Investment Research

Appendix

Prysmian Single Stock Toolkit

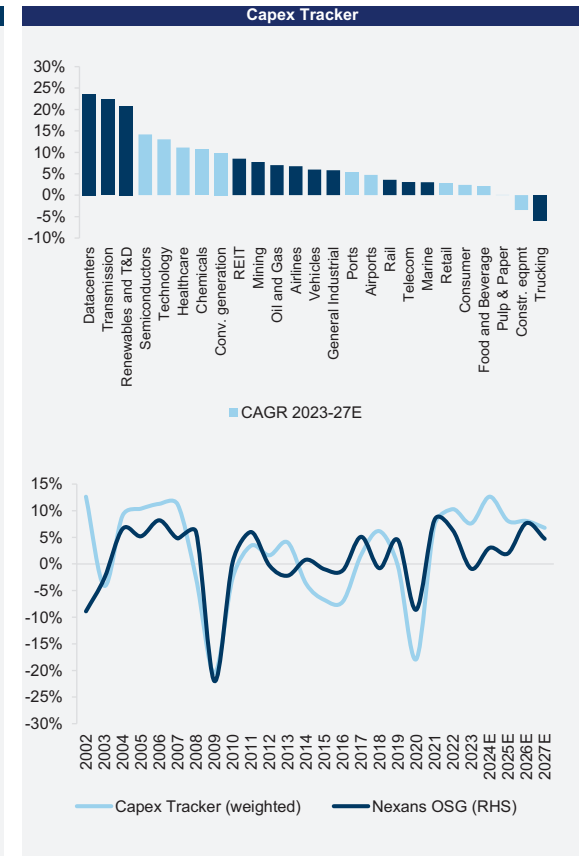
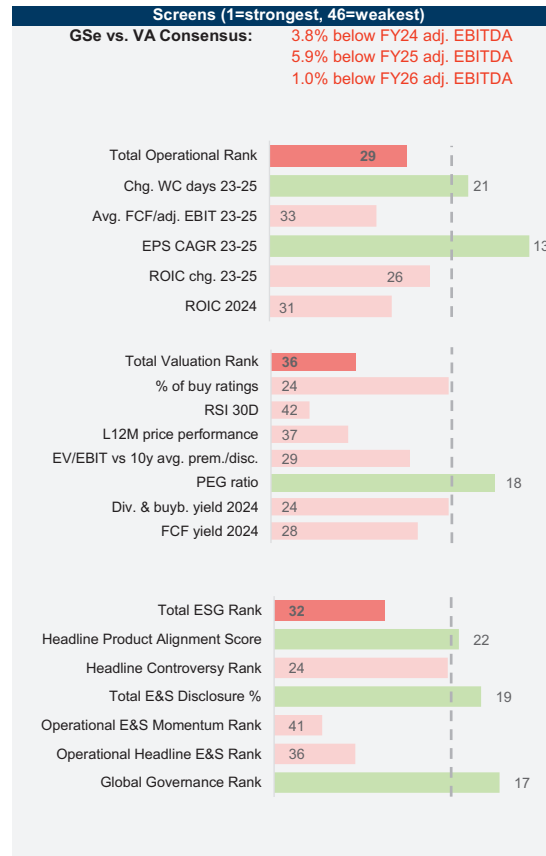
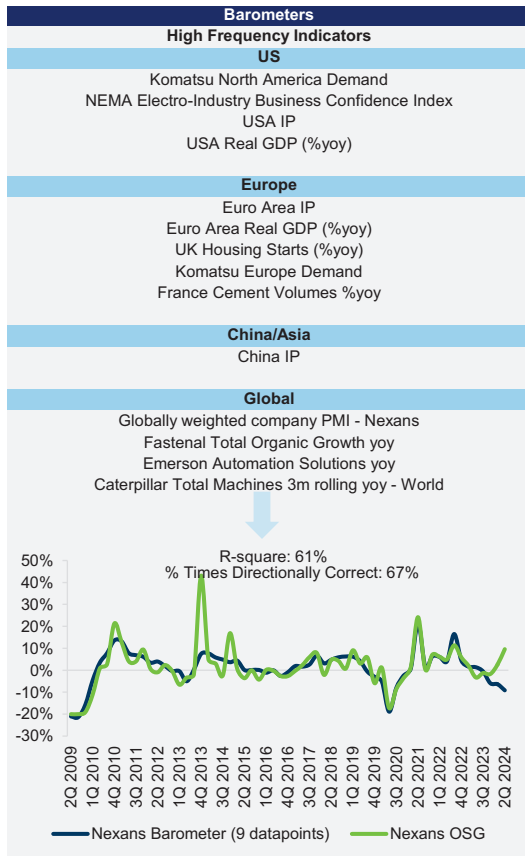
Exhibit 62: Prysmian Single Stock Toolkit



Source: Company data, Goldman Sachs Global Investment Research, Visible Alpha Consensus Data

Nexans Single Stock Toolkit

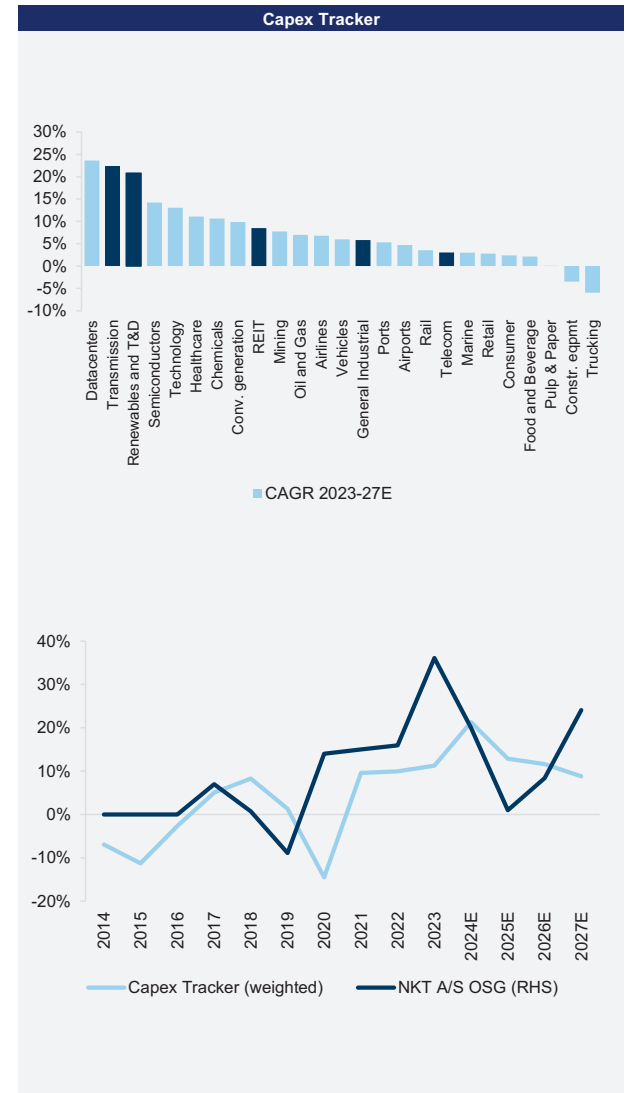
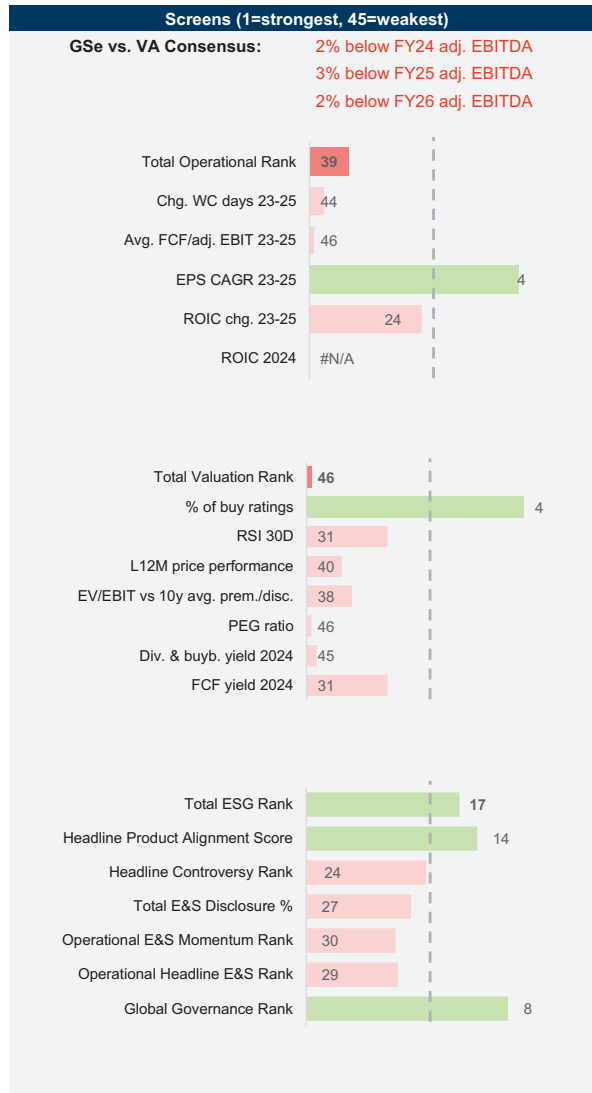
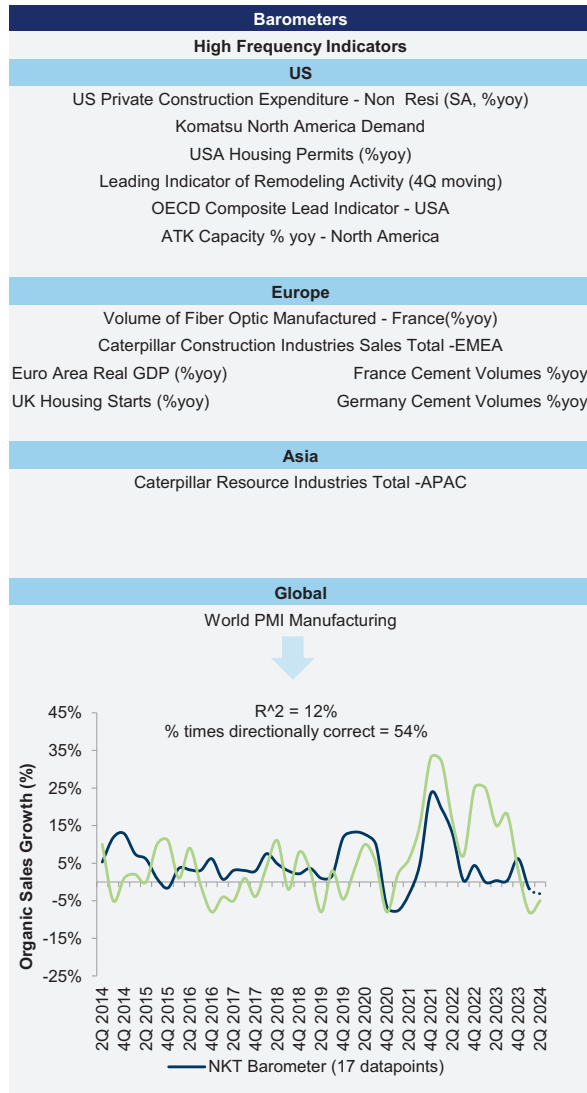
Exhibit 63: Nexans Single Stock Toolkit



Source: Company data, Visible Alpha Consensus Data, Goldman Sachs Global Investment Research

NKT Single Stock Toolkit

Exhibit 64: NKT Single Stock Toolkit



Source: Company data, Visible Alpha Consensus Data, Goldman Sachs Global Investment Research

Disclosure Appendix

Reg AC

We, Daniela Costa and Ilaria Buricelli, hereby certify that all of the views expressed in this report accurately reflect our personal views about the subject company or companies and its or their securities. We also certify that no part of our compensation was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in this report.

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(as of the market close of August 15, 2024)

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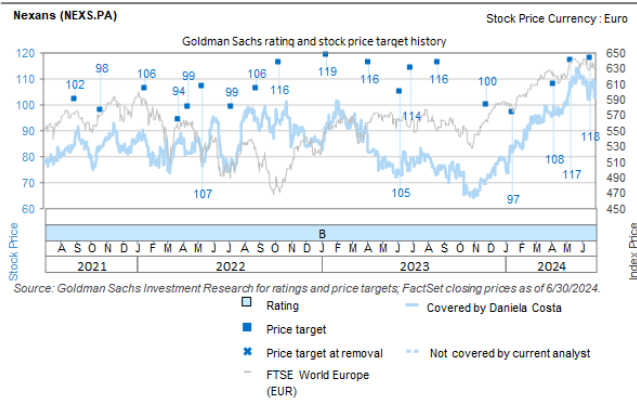
Distribution of ratings/investment banking relationships

Goldman Sachs Investment Research global Equity coverage universe

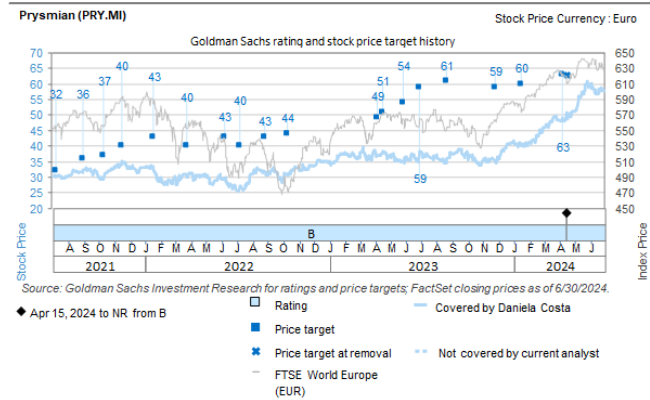
	Rating Distribution			Investment Banking Relationships		
	Buy	Hold	Sell	Buy	Hold	Sell
Global	48%	35%	17%	64%	57%	41%

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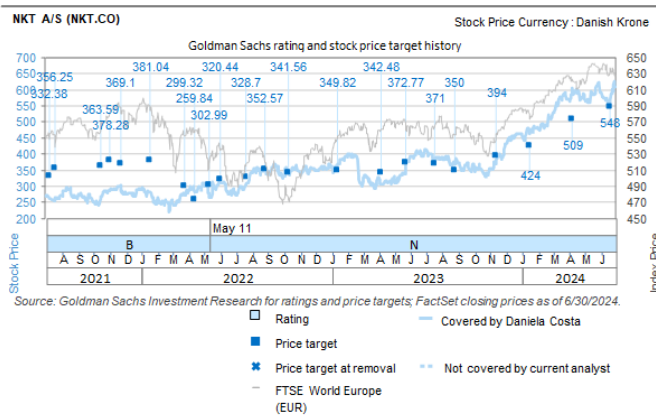
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