GS Consumer: Resilient

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Resilient: The GS US Consumer Dashboard is always worth a read. The latest update came last night. The bottom-line is "resilient spending, weak cashflow." The "resilient spending" theme is backed up by most micro data points. You can see the top-line strength today at the micro level below (KO, HLT, UPS). Government retail sales in May and June were very strong and much of the company level commentary, while just getting going, has been steady still. Wealth-to-disposable income is near all-time highs and debt servicing costs remain low.

> **Caveat:** While spending has been strong, the macro team's note does read a bit cautious into 2H. They think much of the recent resilience in spending can be attributed to the outsized boost from OBBBA-related tax cuts and estimate mid-term election-related spending by nonprofits (which is counted in the official PCE spending data). On the income front, they note real disposable income is weak, with growth flat Y/Y and down 0.6% on a 6-month annualized basis through May. They forecast only 1.0% real income growth in 2026 on a Q4/Q4 basis (with just 0.4% real income growth for the bottom income quintile) and see an even more challenging outlook for cashflow in 2H. Consumer dashboard update

Micro Comments – Solid Top-Line: Overnight, we got a lot of earnings updates. While flow through is a big debate with investors for some of the names (HLT/RCL), the top-line trend is solid.

- **KO** handily beat organic revs, with a +6% print vs Consensus +3.6%. The upside was driven by North America at +7% vs Consensus +3.5%.
- **HLT** beat and noted strength will continue into 2H26 and 2027.
- **RCL** did include a modest negative impact near-term for the geopolitical overhang, but is pointing to 2027 booking trends ahead of historical levels, calling trends "encouraging."
- **UPS** handily beat and raised and noted they "entered the second half of the year with strong momentum and are raising our full-year consolidated revenue."

EPS Tactical Takes:

- **KO:** We think KO is a well-liked name, but there was not necessarily expectations of a big beat this quarter. We think only modest upside was expected. However, they beat EPS by 4% and organic revs were very solid at +6%, a 250 bps beat. Remains best in class in Staples. Expect strength today, even with the stock hovering near the highs. *Our desk is seeing buying in the pre-mkt.*

- **HLT:** The quarter was expected to be very solid, and RevPar was as good as most had been thinking. Mgmt. also noted it will continue, saying "Strengthening demand trends and broad-based momentum across our system, which we expect to continue for the remainder of the year and into 2027." The hold-up is 2Q EBITDA flow-through was a bit below expected and the 3Q EBITDA guide is falling 3% below. This, despite one of their best RevPar prints in history. It is not the end of the world, but the lack of bottom-line upside will likely keep the stock in check, and might cause it to start down a little, despite the sell-off from $360 to $330 into the print.

- **RCL**: We think this quarter has some puts and takes, but overall, it's really not that far off from investor expectations. Expectations were for a 2Q beat and a 3Q net yield guide below. We got both of those. The stock is -3% early on very light volume, likely due to lighter flow through in 2Q. If any more weakness than that, we think you'd see buyers defend it.
