The 720: Japan Strategy, China Data Centers, Trip.com, UMT, Laopu Gold, CR Beer, APR, MPI, China Industrial Tech, Apple

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In Focus | Japan Strategy

Japan Strategy – Trigger Warnings: Lessons From the July-August 2024 Sell-Off. We recommend a more FX-neutral stance for Japanese equities as speculation concerning yen intervention and the repatriation of overseas funds remains elevated. While the current macro backdrop looks less yen-supportive than during the July-August 2024 sell-off, equities positioning appears more vulnerable to a major correction today, with hedge fund exposures above the 98th percentile and outstanding margin buys 35% higher. We believe the market is susceptible to any sharp momentum reversal around AI or geopolitics, and highlight our GS Japan Yen Strengthening and Domestic Stock baskets for investors concerned about rapid yen moves. *Bruce Kirk*

Previews | China Data Centers, CR Beer, APR, China Healthcare Device & Services

China Data Centers – 2Q26 Preview: Slower Move-In Pace Weighs on Quarter – Buy VNET, GDS, Range. We remain constructive on the China data center industry over the mid-to-long term, driven by favorable AI demand and domestic hardware advancements, despite trimming our 2026 move-in demand estimate to 3GW due to tighter chip availability. We maintain Buy ratings on preferred names Range Intelligent, VNET, and GDS, though we lower our 12m TPs for GDS/9698.HK to US$46/HK$45 following slight downward revisions to 2027 revenue and adjusted EBITDA estimates. We expect robust AI training and inference demand to support a 20% industry demand CAGR through 2028, and look for upcoming 2Q results to provide updates on strategic collaborations, overseas expansion, and new order volumes. *Timothy Zhao*

Cost Pressures – Buy. We expect 1H26 beer volume to grow 2.2% with ASP up 0.6% year-over-year, outperforming the industry on resilient premiumization and strong momentum from key SKUs like Heineken. However, we anticipate flattish core beer operating profit due to packaging material cost pressures, notably a 19% rise in aluminum prices, alongside peak sports season marketing investments. While the spirits business remains a drag amid industry-wide destocking, we revise up our 2026-2028E revenue estimates by 1% on beer strength. 12m TP lowered to HK$35.15. *Leaf Liu*

APR Corp – 2Q26E Preview: US and Europe Strength Drives Another Record Quarter – Buy. We expect APR to deliver record 2Q26 revenue of W739bn and operating

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profit of W175bn, driven by robust cosmetics sales across US e-commerce platforms and newly added offline channels like Target and Walmart. While beauty-device revenue will likely decline sequentially due to a temporary sales gap ahead of the Booster Pro X2 launch, rapid scaling in the UK and broader Europe provides additional growth durability. We revise our 2026-2028E operating profit forecasts up by 14% to 20% to reflect this strong international momentum. We raise our 12m TP to W480,000. *Eric Cha*

China Healthcare Device & Services – 2Q/1H26 Preview: Recovery Visibility Remains Uneven. We remain broadly neutral on China Medical Device and Healthcare Services into 2Q/1H26 results as domestic demand recovery remains uneven and constrained by policy headwinds, including consumables VBP and anti-corruption measures. We maintain a more constructive view on companies with visible globalization potential, noting that overseas execution continues to differentiate performance in areas like surgical robotics and clear aligners. While healthcare services show gradual operational recovery alongside a stronger emphasis on capital discipline and shareholder returns, investor interest remains highly selective. *Chris Pan*

Themes in Play | Cross Asset Strategy, Trip.com, MPI, China Industrial Tech, China Solar

Cross Asset Strategy – Tracking Micro and Macro Risks Into the Summer Holidays. We expect macro factors such as inflation, oil prices, and rates to become increasingly important drivers of volatility as the earnings season peaks and investor focus shifts away from micro data. With aggregate equity allocations at record highs following the strong tech rally, we continue to favor long-dated equity call options to limit drawdown risk alongside allocations to real assets and style diversification. We remain tactically neutral in our asset allocation over three months but modestly pro-risk over 12 months, while staying underweight credit as spreads offer limited compensation for rising default risks. *Christian Mueller-Glissmann*

Trip.com – Mgmt call takeaways: 1-2 qtrs to fully reflect business model transition – Buy. Following the conclusion of SAMR's anti-trust investigation and a Rmb5.18bn penalty, management indicated that transitioning to a new merchant tiered cooperation model will take one to two quarters to fully reflect in financials. While this transition and a softening domestic hotel RevPar trend may create modest operational headwinds in 2H26, we do not anticipate any meaningful hit to the company's effective hotel take rate. We lower our FY26-FY28E EPS by 1% to 24% to reflect the one-off penalty and recent industry travel trends, forecasting an 8% revenue growth and 2% EBIT decline for FY26E. We maintain our Buy rating but lower our 12m TP to US$70/HK$545. *Simon Cheung*

MPI – CPO Overhang Priced In; Stronger Capacity Expansion Outlook – Buy. We see a high possibility for the company to pursue a more aggressive MEMS capacity expansion plan in 2027, supported by robust AI ASIC demand and penetration into a new leading CPU customer that could contribute a low-teens percentage of revenue by 2027E. While we expect the overall co-packaged optics (CPO) ramp to be slightly slower than previously anticipated, we believe the recent 22% share price pullback largely prices in this delay and view the risk-reward as skewed to the upside. We adjust our 2026-2028E earnings by +7%, +1%, and -9% to reflect stronger near-term margins and capacity additions offset by lower CPO contributions, lowering our 12m TP to NT$8,000 while reiterating our Buy rating. *Evelyn Yu*

China Industrial Tech – 2Q26 Robot/Automation Landscape Analyzer. We observe continued strength in China's industrial automation market, which grew 6% yoy in 2Q26, driven by a 17% surge in total industrial robot sales and robust demand from high-tech verticals like semiconductors and auto electronics. Domestic brands significantly consolidated their market position, reaching a 60% total market share on broad-based localization gains across robot and control categories. Within this environment, we expect Inovance (Buy, on CL) to outperform peers heading into 2Q26 earnings, supported by an estimated 30% to 40% revenue growth and continued share gains in core control categories such as servos, where its share rose 5pp yoy to 38%. *Jacqueline Du*

China Solar – Glass Price Increased While Remaining Segments Continued Softness. We observe diverging pricing trends across the solar value chain in July, with glass prices rising 6% month-to-date on improving inventory days, while wafer and cell prices led broader segment weakness. We see a muted impact on effective polysilicon supply from the newly announced tighter energy standards, expecting utilization rates to stay depressed at an average of 30% through 2030. Across our coverage, we prefer Buy-rated names including Maxwell, Hangzhou First, Xinyi Solar, and Longi, while staying cautious on rod polysilicon producers. *Mengwen Wang*

Results | UMT, Laopu Gold, Shin Etsu

UMT – LEO Satellite Business in Expansion; 3Q26 to See GM Improvement – Buy. We expect the impact from a major customer's model transition, which drove a 7% miss in 2Q26 revenues, to ease in 3Q26 and support a return to sequential growth and gross margin recovery. Consequently, we revise down our 2026E gross margin by 2.4ppts but keep our 2027-2028E estimates largely unchanged as we anticipate strong growth driven by accelerating LEO satellite launches and specification upgrades. We remain positive on the company's product mix upgrade toward LEO satellites and the expansion of waveguide end markets into AI data centers. 12m TP of NT$2,513. *Allen Chang*

Laopu Gold – Profit Warning: 2Q26 Missed on Sales Pressure and Operating Deleverage – Buy. We expect a negative share price reaction following the company's profit alert, which implies a 2Q26 net profit 40% to 45% below our estimates due to greater-than-expected sales pressure and operating deleverage. We lower our 2026-2028E net profit forecasts by 14% to 15% to reflect the weaker sales environment amid the gold price pullback and a reduced gross margin outlook for 2H26 as the company rolls out lower-priced products. However, we anticipate the worst of the sales backdrop will pass if gold prices normalize. 12m TP lowered to HK$560. *Xinyu Ruan*

Shin-Etsu Chemical – Q1 Review: Strong Semiconductor and AI Materials Offset Weaker PVC Outlook – Buy. We cut our FY3/27 operating profit forecast by 5% to reflect lower PVC pricing assumptions, though strong growth in Electronics and Functional Materials limits our FY3/28 and FY3/29 reductions to just 2% and less than 1%. Expanding demand for semiconductor materials and AI-related products, which now account for nearly 30% of 300mm wafer demand, should drive a 19% operating pro between FY3/26 and FY3/29. We believe the market has largely priced anticipated downward consensus revisions following the recent stock c lower our 12m TP slightly to ¥9,510. *Atsushi Ikeda*

New | Woolworths downgrade

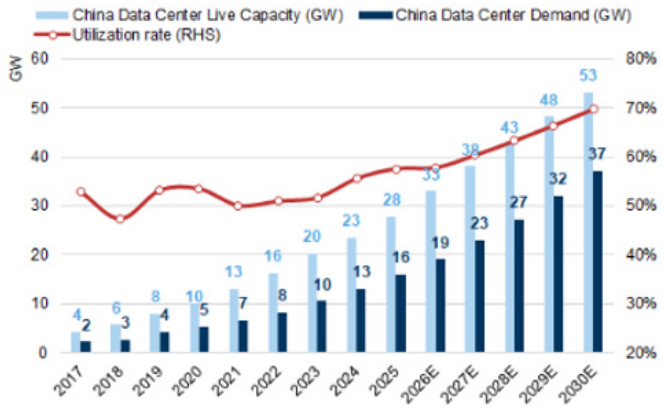


Woolworths – Valuation and Delivery Momentum Risks – Downgrade to Neutral. We downgrade Woolworths to Neutral from Buy on fair valuation following significant recent outperformance and the short-term risk of a sales momentum shift driven by Coles' exclusive UberEats partnership. We estimate this delivery shift could create up to a 0.7% drag for Woolworths and a 0.9% benefit to Coles, driving a net swing of 1.6% in sales growth between the two. Consequently, we lift our Coles FY27E EPS by 1.6% as we raise supermarket sales growth estimates to 4.6%, while leaving our 12m TP for Woolworths unchanged at A$37. *Peter Marks*

Around the World | Apple

Apple – F3Q26 Preview: Product Strength and Services to Offset App Store Slowdown – Buy. We forecast F3Q26 EPS of $1.93 and revenue of $110.1bn, tracking above consensus on the back of strong iPhone and Mac performance alongside robust iCloud and AppleCare growth. We expect iPhone revenue to grow 23% yoy, driven by a 15% unit increase and 7% ASP growth from premium mix shifts and market share gains. While the App Store faces near-term deceleration from commission fee changes, we raise our F2026-2028 EPS estimates by 2% on average to reflect recent portfolio price increases. We raise our 12m TP to $370, reflecting growing confidence in the AI-driven iPhone replacement cycle. *Michael Ng*

Graphic Language | China Data Center - We trim our 2026E China data center move-in demand estimate to c.3GW on tighter chip availability, but continue to expect robust 20% demand CAGR in 2025-28E



Source: MIIT, CAICT, Goldman Sachs Global Investment Research

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