Goldman Sachs Research

Equity Research
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The 720: SK Hynix, Sumitomo Electric, HK Exchanges, Top of Mind: Fed Transparency, AIA, CR Beer, Giant Biogene, Anritsu

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In Focus | SK Hynix

SK Hynix – W40tn share buyback to drive EPS upside – Buy. We expect a positive impact on EPS and share price following the company's earlier-than-expected announcement of a W40tn share buyback and cancellation, representing roughly 3.3% of issued shares. Management also raised its 2025-2027 shareholder return target to a minimum of 50% of cumulative free cash flow, signaling strong confidence in the memory upcycle and cash generation capabilities. We raise our 2026-2028 EPS estimates by 4-10% to reflect the buyback and cancellation alongside our assumption of additional future buybacks. Our 12m TP remains W3,500,000. *Giuni Lee*

Listen Up - GS Webcasts on the Agenda

Japan Gaming & Internet: Key Debates Post Earnings & 2H Ideas | 1130am HK | Access Webinar | with Minami Munakata, Christina Zhu

Top of Mind | Fed Transparency

Top of Mind: Assessing a less transparent Fed. Fed Chairman Kevin Warsh is steering the Fed into a less transparent era. So, is that a positive or negative development, and what could it mean for markets and the economy? We speak with Former Fed governors Donald Kohn and Stephen Miran as well as GS' Jan Hatzius who agree that rigid "Odyssean" forward guidance that commits policymakers to a pre-set path risks policy mistakes and is therefore rarely appropriate. But they somewhat disagree about the benefits of greater transparency around the Fed's reaction function. Hatzius and Kohn argue that such transparency helps markets better anticipate and price in policy changes, accelerating monetary policy transmission. But Miran believes that the line between committing to a path and being transparent is clearer in theory than in practice. And while GS economists and strategists find that reduced transparency leads to increased market volatility, the question is whether this just increases the market's noise or also improves the market's signal. *Allison Nathan*

Themes in Play | Sumitomo Electric

Sumitomo Electric Industries – Mulling further optical capacity expansion – Buy. We hosted a group discussion with President and COO Osamu Inoue, highlighting a very strong demand environment across optical fibers, wiring products, devices, and indium phosphide substrates. The company is considering further capacity expansion investments and aims to mitigate associated risks by securing three- to five-year long-term contracts with clearly defined supply and purchase commitments. Development work on co-packaged optics with US customers is also progressing smoothly, maintaining the company's technological advantage. Our 12m TP is ¥3,300. *Ryo Harada*

Results

Financials | HK Exchanges, AIA

Hong Kong Exchanges – Robust equities franchise with structural upsides – Buy (on CL). We review a strong second quarter where core profit beat our estimates by 7%, driven by better-than-expected cash equities segment results that offset weaker equity derivatives revenue. Management highlighted a robust IPO pipeline and continued conversion into listings, which we believe forms a strong platform for average daily turnover growth in the second half. We raise our FY26-FY29 operating expense estimates by 3% as the company continues to invest in talent and IT capabilities to support its multi-asset ecosystem and fixed income and commodities expansion. We fine-tune our revenue estimates and leave our 12m TP unchanged at HK$540. *Thomas Wang*

AIA – First Take: Slight miss on 2Q VONB but MCV segment shows sequential growth – Buy. We expect a muted share price reaction to 1H26 results, as a slight miss on 2Q Value of New Business (VONB) was offset by sequential growth in the Mainland Chinese Visitors (MCV) segment and a 15% yoy increase in OPAT that beat our estimates by 5%. While Hong Kong VONB slowed to implied low single-digit growth in 2Q due to a high MCV base effect, domestic growth remained excellent and ASEAN markets exceeded our expectations. Mainland China VONB grew 26% yoy on an actual exchange rate basis, and OPAT per share is now tracking well ahead of the company's 2023-2026 growth target. 12m TP of HK$97. *Thomas Wang*

Tech | Full Truck Alliance

Full Truck Alliance – Resilient commission growth offsets softer volume outlook – Buy. We review solid 2Q26 results featuring revenue and net profit beats driven by resilient transaction service growth and higher freight brokerage revenues. However, management provided a softer second-half order volume growth outlook reflecting weather-related disruptions since July. We lift our FY26-FY28 revenue forecasts by up to 9% on higher freight brokerage revenues, while fine-tuning adjusted net profit down by 1-7% to reflect slower order volume growth. We lower our 12m TP to US$11.7 from US$12.5. *Ronald Keung*

Consumer | CR Beer, Yankershop, Giant Biogene, Godrej Consumer Products

our Buy rating but lower our 12m TP to HK$30.1 from HK$35.15 following in-line 1H26 results, as we view the subsequent 5% share price correction as overdone. We lower our 2026-28E total sales estimates by roughly 2% and recurring net profit forecasts by 4-6% to reflect a weaker-than-expected recovery in the spirits business and higher packaging cost pressures. Despite these headwinds, we expect the company to sustain its topline outperformance into 2H26, backed by healthy momentum across its strong product portfolio and continued scaling of sub-premium-and-above segments. *Leaf Liu*

Yankershop Food – 2Q26 NP miss on greater promotional investments – Buy. We note a second-quarter net profit miss driven by a higher-than-expected selling expense ratio from increased branding and promotional investments, despite sales coming in 2.3% ahead of our estimates at Rmb1,488mn. Gross profit margin expanded by 1.7 percentage points year-over-year to 32.6%, but operating profit margin declined to 15.0% as the SG&A ratio rose. We await further details from the upcoming earnings briefing regarding incremental investments in mom-and-pop and CVS channels, brand enhancement strategies, and margin trajectories across emerging channels. Our 12m TP is Rmb60. *Valerie Zhou*

Giant Biogene – 2H sales acceleration and easing margin pressure – Buy. We expect sequential sales acceleration and margin recovery in the second half following management's reiteration of full-year guidance for 10% revenue growth and flattish net profit. First-half margins were pressured by front-loaded brand investments and higher traffic costs, but management anticipates a more normalized selling expense ratio and favorable product mix shifts moving forward. Growth will be supported by new product incubations under the Comfy brand and the ramp-up of the Collgene medical aesthetics business, particularly the newly launched 753 Collagen Injection. Our 12m TP is HK$33. *Valerie Zhou*

Godrej Consumer Products - Strategic Direction Intact, Dialing Up Execution - Buy. Following our meeting with the new CEO, we see the company maintaining its strategic investments while sharpening execution in the India business across distribution, supply chain, and marketing. Management plans to drive portfolio transformation by expanding into new home care categories and rapidly scaling up incense sticks and liquid vaporizers within the core home insecticides segment. We believe the stock is poised for a turnaround driven by premiumisation and share capture potential, maintaining our 12m TP of Rs1,175. *Arnab Mitra*

Commodities | Iluka

Iluka Resources – Trough Earnings Pass as Key Projects Progress – Buy. 1H26 EBITDA is broadly in-line, which we believe represents the bottom of the mineral sands earnings cycle. We revise our 2026–2028E EBITDA down by 6–11% to reflect higher corporate costs, inventory unwind adjustments, and a more conservative production ramp-up buffer for the Eneabba refinery in 2028. We remain constructive on the attractive base-case valuation and strategic asset pipeline, driven by continued zircon pricing momentum, successful commissioning at Balranald, and Eneabba tracking on schedule for mid-2027 alongside a milestone binding rare earth off-take agreement with a global automaker. 12m TP of A$8.4. *Paul Young*

New | SGH

SGH – Organic Growth to Accelerate from FY28 – Reinstate at Buy. We reinstate coverage on SGH with a Buy rating and a 12m SOTP-based TP of A$49.00. While we expect FY27e EBIT growth to remain below the targeted 10% algorithm, we forecast a
acceleration to low-double-digit growth from FY28e, driven by a step-u
capital sales, price-led utilisation growth at Coates, and ongoing self-he
lower our group underlying EBIT forecasts by 4%, 1%, and 1% across FY
reflect a weaker near-term WesTrac contribution and softer first half at
the company retains significant balance sheet optionality to pursue M&

GS Event | Anritsu, India A&D

Anritsu – CFO Call: Optical and 6G Test Equipment Demand to Overlap – Buy. Following a call with Anritsu's CFO, we see a high probability of an FY3/27 sales and profit guidance beat driven by strong underlying Test & Measurement orders. We believe the company is approaching a significant earnings expansion phase over the next three years as demand waves for generative AI data center optical transceivers and 6G test equipment overlap. Management notes that 800G volume is growing alongside accelerating demand for higher-margin 1.6T products, while 6G R&D shipments should begin ahead of a 2030 commercial rollout. 12m TP of ¥5,400. *Ryo Harada*

India Aerospace & Defense – Field Trip Day 1 Highlights. Following our aerospace and precision machining field trip to Bengaluru, we believe the sector appears to be on a firm footing with easing execution concerns for Hindustan Aeronautics. We expect HAL's aircraft deliveries to the IAF and GE engine supplies to streamline, with Tejas Mk1A deliveries scheduled from September 2026 and 20-22 engines likely delivered in FY27. Furthermore, our visits to Sansera Engineering and JK Maini highlight robust capacity expansion and a move up the value chain into complex structural parts to capture growing domestic and export opportunities. We maintain our Buy ratings on HAL and Sansera Engineering. *Amit Dixit*

Asia Macro | India Monetary Policy

India Economics - RBI Minutes A Hawkish Shift. We note the August 2026 MPC minutes struck a more hawkish tone than the Governor's recent policy statement, as members acknowledged that food and fuel-driven inflation could trigger second-round effects. While broader price pressures would be needed to warrant immediate policy action, core-goods inflation appears to be firming. We continue to expect 50bp of cumulative policy rate hikes by the RBI, with 25bp each in the December 2026 and February 2027 meetings. *Santanu Sengupta*

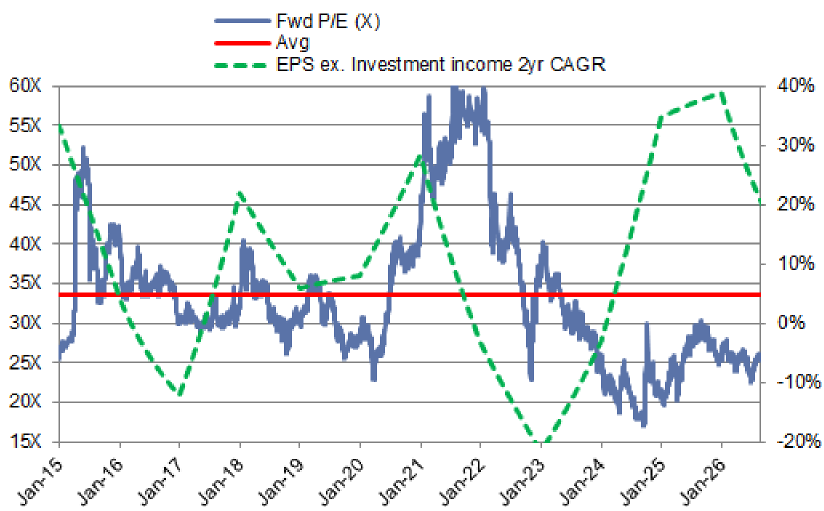
Around the world | Moderna, Estee Lauder, AI impact on labour markets

Moderna – Intismeran Phase 3 success unlocks oncology vertical – Neutral. We view the positive interim data from the Phase 3 INTerpath-001 study evaluating intismeran in combination with Keytruda for adjuvant melanoma as the initial unlock for the company's cancer vertical. The combination demonstrated statistically significant and clinically meaningful improvements in recurrence-free survival and distant metastasis-free survival, with a benign safety profile. We increase our probability of success for intismeran in melanoma to 100% and in non-small cell lung cancer to 85%, while raising our global peak sales estimates for both indications. We raise our 12m TP to $120 from $67 to reflect the de-risked oncology platform. *Salveen Richter*

Estee Lauder – Strong FQ4 Sets Stage for FY27 Momentum – Buy (on CL). We reiterate our Buy rating and raise our 12m TP to $112 from $100 following FQ4 results that meaningfully surpassed elevated expectations with 5% organic sales growth and 330bps of EBIT margin expansion. We raise our FY27-29 EBIT estimates by roughly 4% as management raised its EBIT margin outlook and issued above-consensus FY27 EPS guidance, benefiting from the ramp of PRGP savings. We expect top- and bottom-line growth momentum to prove durable, driven by faster on-trend innovation, improving business trends in China, and a return to organic sales growth in North America. *Bonnie Herzog*

Global Macro – Is AI Impacting Global Labor Markets? We assess AI's impact on global labor markets and find that while adoption rates are similar across developed markets, hiring headwinds remain confined to a narrow set of industries and workers. France and the US lead with adoption rates around 20%, and we observe a negative correlation between AI exposure scores and job openings growth since the second half of 2022 across major economies. A 10% occupational exposure to AI is associated with only a 0.1 percentage point drag to annual headcount growth in France, Canada, and the US, with negligible effects elsewhere. However, employment underperformance is more visible in highly exposed subsectors like call centers, management consulting, and advertising, particularly among entry-level employees. *Sarah Dong*

Graphic language | HK Exchanges (Buy, on CL) - HKEX is trading at 26X 1-year forward P/E, below mid-cycle P/E of 33X



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

GS Events (Home Page here)

- **Asia Leaders Conference | Hong Kong |** 31 Aug-2 Sep
- **Asia Healthcare CDMO Day | Singapore |** 23-25 Sep
- **Japan Conference | Tokyo |** 30 Nov - 4 Dec