The 720: Korea Power Equipment initiation, Nvidia, Kioxia, Asia Batteries, Weichai Power, NAURA, Sigma Healthcare, G10 Rates

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In Focus | Korea Power Equipment Initiation

Korea Power Equipment – New orders to navigate the sector through 2028. We initiate coverage on the Korea Power Equipment sector, preferring transmission players due to structural demand drivers like aging equipment replacement and a rising renewable energy mix that remain independent of AI data center execution risks. We expect the US power equipment shortage to persist until 2029, driving South Korean manufacturers' new order win momentum through 2028 and supporting an average 28% EPS CAGR over 2026-2030E. We initiate Hyosung Heavy Industries at Buy with a 12m TP of W4,160,000, as it is largely immune to order fluctuations beyond 2030. We initiate HD Hyundai Electric and LS Electric at Neutral with 12m TPs of W850,000 and W230,000, respectively. *Do Hyoung Kim*

Themes in Play | Nvidia, Kioxia, Asia Batteries, Toyota

Nvidia – Strong CY27 Outlook and Margin Visibility – Buy. We raise our 12m TP to $300 following a strong quarter and CY27 revenue growth guidance of 70%, which came in well ahead of consensus. We believe the company's medium-term gross margin guidance of 72%-73% for CY27 will put acute input cost concerns to rest, serving as a clearing event for the stock alongside increased transparency on customer financial commitments. Driven by robust demand for Blackwell, Rubin, and Vera products, we raise our EPS estimates by an average of 9% to reflect the higher revenue outlook. *James Schneider*

Kioxia Holdings – Shareholder returns to spur multiple expansion despite capex – Buy. We reiterate our Buy rating and 12m TP of ¥116,000 following the company's announced c.¥5 tn joint capex plan in Japan by 2032. We slightly raise our FY3/27-FY3/29 operating profit estimates on favorable cost assumptions and a smooth transition to 8th-generation BiCS, despite trimming bit shipment forecasts. We newly factor in the possibility that surplus free cash flow from FY3/28 onward will be allocated to shareholder returns, driving a forecasted total return yield of nearly 20% over FY3/28-FY3/29. We expect sustained shareholder returns to prompt share price and multiple expansion, similar to past cycles in Japanese shipping stocks, as NAND supply and demand remain tight. *Shuhei Nakamura*

Asia Batteries – Behind-the-meter growth thesis accelerates on US executive order. We see the recent US Executive Order prohibiting foreign-produced bulk-power system equipment as a catalyst that incrementally reinforces the growth outlook for behind-the-meter storage. The order explicitly excludes facilities used in local

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distribution, which we expect will impose further regulatory constraints on front-of-the-meter buildouts and accelerate behind-the-meter adoption amid persistent grid bottlenecks. Our base case projects the US energy storage total addressable market reaching roughly 170 GWh/year by 2030, with a bull case scaling to 210 GWh/year. Within our coverage, we prefer cell makers LGES and LG Chem, both Buy-rated, supported by energy storage mix expansion and a utilization recovery path. *Nikhil Bhandari*

Toyota Motor – Level 2++ Commercialization by 2028 – Buy. Toyota unveiled its autonomous driving roadmap, targeting 2028 for the launch of Level 2++ automated driving in retail passenger vehicles using a hybrid architecture of generative AI and rule-based guardrails. We view this as a crucial step toward achieving the company's 20% medium-term ROE target and hedging against potential competitiveness declines, though establishing strong monetization and optimizing capital structure remain key challenges. We maintain our Buy rating and 12m TP of ¥3,900. *Kota Yuzawa*

New | Ramsay Health Care upgrade

Ramsay Health Care – Growing quality increases earnings defensiveness – Upgrade to Buy. We upgrade Ramsay Health Care to Buy and raise our 12m TP by 36%, driven by a material increase in our valuation following an upgrade in earnings quality from the FY26 result. We see increased defensiveness in earnings across key regions, supported by dynamic indexation on roughly 50% of Australia revenues, longer wage agreements, and clear evidence of operational improvements in the UK. We increase our UK EBIT estimates as FY26 margins exceeded our forecast by 150bps, and we raise our Australia revenue and EBIT forecasts to incorporate the National Capital Private Hospital acquisition. *Davin Thillainathan*

Results

Tech | BiliBili, NAURA

BiliBili – 2Q26 in-line, ads resilient, games set for fresh product cycle – Buy. We maintain our Buy rating on Bilibili but lower our 12m TPs to US$27.7/HK$216, as in-line 2Q26 results and solid 2H26 guidance help ease concerns over revenue slowdowns and AI investments. We expect the company to deliver high-single-digit year-over-year topline growth and continued operating margin expansion toward the 10% to low-teens level in the second half, demonstrating cost efficiency and platform resilience. We lower our 2026-28E adjusted net profit forecasts by 1% to 8% to factor in AI-related investments, but fine tune revenue estimates higher on better visibility for the new game pipeline accelerating from 4Q26. *Lincoln Kong*

NAURA – Strong orders on rising memory and advanced logic capex – Buy. We maintain our Buy rating and 12m TP of Rmb1,200 following 2Q26 results, where revenue grew 24% YoY to Rmb9.8bn and net income rose 7% YoY, both missing our estimates by 10% due to a 1Q26 pull-in, component supply constraints, and higher R&D spending. Despite the near-term miss, management remains positive on order growth driven by accelerated capacity expansion among local memory and advanced logic clients, alongside market share gains for domestic equipment suppliers. We revise down our 2026E earnings by 4% to reflect lower mature node tool revenue and elevated R&D expenses, but keep 2027-28E largely unchanged as we expect China semiconductor capex to grow 13% YoY to US$51bn in 2026. *Allen Chang*

Industrials | Weichai Power, Qantas

Weichai Power – Strong 2Q26 core earnings beat and raised payout – Buy. We reiterate our Buy rating following a sizable second-quarter earnings beat, with headline net profit surging 57% year-over-year to Rmb4.62bn, coming in 14% above our estimates. Excluding one-off investment gains and unfavorable foreign exchange, core net profit reached roughly Rmb3.7bn, up 38% year-over-year and largely consistent with our above-consensus expectations. The company declared an interim cash dividend implying a raised payout ratio of 58%, up from 55% last year. The power generation business remains a key growth driver, now representing 20% of total net profit, with sales volume of large diesel engines for AI data center backup power rising 140% year-over-year. *Nick Zheng*

Qantas Airways – Resilient FY26 Results and Fleet Renewal Plans – Buy. We raise our 12m TP to A$12.45 from A$12.10 following FY26 profit before tax of A$2,064m, which beat our estimates by 2% despite a A$420m headwind from Middle East-related fuel disruptions. We increase our FY27 PBT estimate by 2% on lower expected depreciation, supported by 1H27 revenue growth guidance of 8-9% that highlights resilient leisure demand and rational industry settings. We believe the ongoing fleet renewal program, including Project Sunrise and the transition to next-generation aircraft, will lift the premium cabin mix to 28% by FY31, driving long-term margin expansion and reducing earnings volatility. *Niraj Shah*

Consumer | Sigma Healthcare, Guming, Yili, Wesfarmers

Sigma Healthcare – FY26 a slight miss on weaker cold and flu season – Buy. We lower our 12m TP to A$3.50 and cut FY27-29E EPS by 5-7% following a 2H26 EBIT miss driven by a weaker cold and flu season that slowed CW Australia sales growth. Importantly, sales growth has rebounded to double digits in early FY27, and we see the stock re-rating as the escrow overhang is addressed and the market reassesses its compelling valuation relative to peers. We remain constructive given the high-quality defensive growth on offer, ongoing benefits from GLP-1 rollouts, and strong international optionality. *Peter Marks*

Guming Holdings – Resilient SSSG and solid dine-in drive earnings beat – Buy (on CL). We revise up our 2026-28E earnings forecasts by roughly 3% and raise our 12m TP to HK$33 from HK$31 following positive surprises in resilient same-store sales growth and solid dine-in performance into the third quarter. July and August same-store sales growth has been positive, driven by successful category expansion, disciplined pricing, and store network quality upgrades, which stands out against generally negative peer performance. Franchise profitability has also seen meaningful improvement since May due to a lower delivery mix and better sales. We expect the share price to react positively as the market gains confidence in the company's store network quality and execution. *Michelle Cheng*

Yili Industrial – Constructive raw milk outlook and solid core operations – Buy. We maintain our Buy rating and 12m TP of Rmb37 after management reiterated its full-year guidance for mid-single-digit sales growth and core operating margin expansion. We revise down our 2026 reported and recurring net profit estimates by 19% to factor in tax adjustments and one-off impairments, though underlying operations remain solid with liquid milk returning to low-single-digit growth. Management turned more constructive

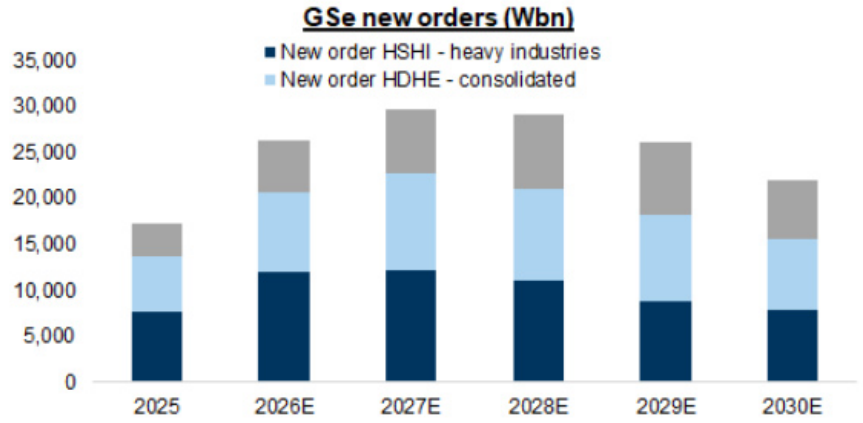
on the raw milk cycle, expecting prices to return to year-over-year growth in the second half of 2026 and reach a better supply-demand balance in 2027. We remain positive on Yili's earnings resilience, supported by improving liquid milk momentum and strong growth in frozen dairy and infant milk formula. *Leaf Liu*

Wesfarmers – Bunnings solid but higher interest drives downgrades – Sell. We lower our 12m TP to A$77 and cut FY27-29E EPS by 1-3% following a slight FY26 PBT miss driven by a significant step-up in net interest costs. While Bunnings delivered a solid trading update with sales growth slightly above 3.9% and management expects margin expansion, momentum at Kmart and Officeworks has slowed as consumers remain value-focused. We remain cautious as higher net debt and interest rates are expected to drive a further step-up in interest expenses, offsetting positive operating leverage and supply chain productivity. *Peter Marks*

Around the world | G10 Rates

G10 Rates Views - Shallow Relief For Long-End Woes. We expect steeper curves to remain a durable feature of the rates landscape as ongoing energy volatility and the AI borrowing boom keep long-end G10 bonds under pressure. While benign inflation and below-trend growth should justify the Fed underdelivering and bring 10y UST yields to our 4.40% end-2026 forecast, energy prices will likely keep ECB hike risks in play and maintain high volatility for Gilts. Furthermore, conditions for JGB stabilization have not yet been met, prompting us to raise our end-2026 10y JGB yield forecast to 3.0% from 2.5%. *George Cole*

Graphic language | Korea Power Equipment (Sector Initiation) – We expect the strong order trend to persist until 2028



Source: Company data, Goldman Sachs Global Investment Research

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