The 720: Innolight & Optical Transceivers, China Strategy, Samsung Electronics, SEMICON takeaways, Recruit, CMB, Data Centers

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In Focus | Innolight & Optical Transceivers

Innolight – Optical specification upgrade towards 1.6T and above; initiate H-share and reinstate A-share – Buy. We reinstate coverage of Innolight's A-shares at Buy with a 12m TP of Rmb2,645 and initiate its H-shares at Buy with a 12m TP of HK$3,267, viewing the company as the leading global provider of optical interconnect solutions. We forecast revenue to grow at a 78% CAGR over 2026-2028E, driven by rising silicon photonics-based optical module shipments and market expansion into scale-up and scale-across solutions. Our 2026 and 2027 net income forecasts sit 25% and 42% above consensus, reflecting our positive view on the accelerating ramp-up of 1.6T and above solutions, a stable supply chain, and manageable CPO competition. *Verena Jeng*

Global Optical transceivers – Raising 1.6T and above shipment for 2026-28E; continuous mix upgrade ahead. We raise our global optical transceiver shipment forecasts by 21%, 31%, and 31% for 2026-2028E, reflecting higher shipments of rack-level and ASIC AI servers, increased optical module usage per GPU, and ongoing specification upgrades. We expect 800G and 1.6T shipments to reach 45m and 33m units in 2026E, growing to 49m and 71m in 2027E, with 3.2T shipments ramping up to 23m in 2027E. We remain constructive on optical transceiver growth driven by AI infrastructure spending and product mix upgrades, maintaining Buy ratings on key supply chain beneficiaries including Eoptolink, FOCI, Landmark, VPEC, and RoboTechnik. *Allen Chang*

Listen Up - GS Webcasts on the Agenda

China in Motion: Macro & Strategy | 10am HK | Global Macro, Activity Data, RMB, Market Views | Access Webinar | with Hui Shan, Lisheng Wang, Yuting Yang, Kinger Lau, Si Fu & Kevin Wang (in Mandarin)

China Strategy | Earnings Season

China Musings – 2Q/1H26 Earnings Brochure: Where to find growth beyond AI?. We observe a strong 2Q26 earnings rebound led by A-shares and Hard Tech, with All-China net profit growth accelerating to +24% yoy, marking the highest quarterly growth in five years. While upstream and cyclical sectors benefited from PPI reflation, downstream consumer sectors continued to face soft demand, and the AI profit pool shifted heavily toward semiconductor hardware. With offshore Internet earnings bottoming out and AI fueling a capex upcycle, we highlight a list of

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Buy-rated companies demonstrating strong earnings growth and positive revision momentum across non-AI hardware sectors, including Healthcare, Financials, Consumer, Shipbuilding, and Materials. *Kevin Wang*

GS Event | Samsung Electronics

Samsung Electronics – 7 key takeaways from NDR: Focusing on technology leadership – Buy (on CL). We reiterate our Buy rating (on CL) following North American investor meetings where management reiterated expectations for 2027 memory supply to be tighter than 2026, with tightness persisting into 2028. The company is prioritizing technology leadership, noting strong demand for advanced foundry nodes and progressing long-term agreement (LTA) discussions that offer better visibility and more efficient investment decisions. Management highlighted that rising customization needs bode well for its combined memory and foundry capabilities, and noted that all options, including buybacks and dividends, are being considered for shareholder returns. *Giuni Lee*

Themes in Play | SEMICON takeaways, Recruit, Nidec, Maruwa, Daifuku

Taiwan Semis - Key takeaways from SEMICON Taiwan 2026 Day 1: CPO in focus. We see strong AI-related advanced-packaging demand extending into 2027, with OSAT orders accelerating alongside foundry demand and CPO equipment moving closer to mass production by late 2026. Rising AI and HPC test complexity continues to drive higher test equipment and interface content, while FOPLP and hybrid bonding are emerging as the next major equipment opportunities. Following our booth tours, we highlight positive developments for Buy-rated names including MPI, WinWay, and All Ring, driven by new CPO prober solutions, aggressive capacity expansions for AI test interfaces, and broadened optical-coupling portfolios. *Evelyn Yu*

Taiwan Semis - Key takeaways from SEMICON Taiwan 2026 Day 2: Stronger OSAT momentum into 2027. We see OSAT equipment demand momentum strengthening into 2027 with improved visibility, alongside incremental opportunities from integrated optical and electrical CPO testing. Management at GPTC noted strong 1H27 demand driven by CoWoS advanced packaging, with 2H27 capacity nearly fully allocated and potential for further expansion. Meanwhile, Hon Precision highlighted that larger AI chip package sizes and rising thermal requirements are driving higher handler and thermal-control content, which should result in 20-25% higher ASPs for its advanced models. We maintain our Buy ratings on both GPTC and Hon Precision, as we expect their revenue and earnings to accelerate on continued advanced packaging capacity expansion and rising technology complexity. *Evelyn Yu*

Japan Technology – Semicon Taiwan 2026 Reaffirms Equipment Demand Strength. Our booth tour at Semicon Taiwan 2026 reconfirmed ongoing buoyancy across the semiconductor equipment market, driven by strong capex appetite throughout the Taiwanese supply chain. We note that TSMC's projected 2026 equipment purchase volume as of July had expanded 1.9x compared with its end-2025 outlook, underscoring robust demand for wafer testing, advanced packaging, and CMP equipment. We maintain our Buy ratings on key beneficiaries including Lasertec, Disco, Tokyo Electron, and Ebara as they continue to secure volume-production orders and expand their market share. *Shuhei Nakamura*

Recruit Holdings – Indeed's AI-Driven Evolution and Monetization Upside – Buy. We

came away from the Indeed FutureWorks 2026 event with a favorable impression of the platform's steady evolution and its ability to adapt to shifting labor market conditions amid AI adoption. The rollout of new AI-powered features, such as Sourcing Assistant and Smart Screening, should drive a further step-up in the efficiency and automation of candidate sourcing, an area where the company holds a strong competitive edge. We see substantial room for monetization upside as Indeed focuses on activating passive candidate pools, and we maintain our 12m TP of ¥14,900. *Minami Munakata*

Nidec – On-schedule progress toward reform and normalization – Buy. We think recent disclosures from the internal investigation committee and management press conference reaffirm the company's progress toward reform and normalization. The investigation identified 844 cases of quality-related improper conduct since 2012, which did not exceed the estimated 1,000+ potential cases and will have no major impact on prior disclosed earnings. We expect the share price to bottom out as the company plans to file its FY3/26 securities report by September 30 and announce a new five-year medium-term plan around the end of 2026. We maintain our Buy rating and 12m TP of ¥3,200. *Daiki Takayama*

MARUWA – Raising FY3/28-FY3/29E OP and target price on higher AI sales – Buy. We raise our FY3/28 and FY3/29 operating profit estimates by 10% and 6%, respectively, driven by a 20% and 15% upward revision to our AI-related sales forecasts following higher global optical transceiver market size projections. We believe whether the company can achieve its implied 2Q3/27 operating profit guidance of ¥8.45bn will be key to near-term share price performance, especially as yield issues for AI-related products have now been completely resolved. We expect a valuation-driven rise in the share price as the company posts 2Q operating profits in line with market expectations, and we raise our 12m TP to ¥90,000. *Mitsuhiro Icho*

Daifuku – Confirms bright orders/earnings outlook for FY12/27 onward – Buy. We reiterate our Buy rating and 12m TP of ¥9,300 following a conference call that confirmed a strong order and demand outlook for the cleanroom business, with base-case orders expected to remain at or above ¥370bn for at least three years. The company is securing supply capacity exceeding ¥400bn to meet this robust demand without delays, alleviating supply-side concerns and driving share recoveries against regional competitors. We expect the cleanroom operating margin to expand by a further 2 percentage points from FY12/27 onward, supported by economies of scale, cost reductions, and rising project order values across Taiwan, South Korea, and China. Furthermore, management indicated that recent earnings stagnation in the Intralogistics and Automotive businesses is strictly temporary, and we view their growing focus on capital efficiency and shareholder returns to achieve a 17% ROE target as a significant positive. *Yuichiro Isayama*

Results | China Merchants Bank, China Data Centers, First Tractor, Nio, China Healthcare, Horizon Robotics

China Merchants Bank – Stronger PPOP generation amid retail asset quality debate – Buy. CMB reported broadly solid 2Q26 results with PPOP and net profit beating our estimates by 5% and 2%, respectively, driven by stronger fee and investment income. While core earnings remain resilient, retail asset quality pressure persists, prompting us to lower our loan-growth assumptions to roughly 5% and increase provisioning assumptions. Consequently, we raise our 2026-28E PPOP forecasts by 2.6% on average

but revise net profit down by 1%. We maintain our Buy rating and raise our H/A-share 12m TPs to HK$59.28/Rmb55.24, as we believe stabilization in retail NPL formation and reserve coverage will be key catalysts for further re-rating. *Shuo Yang*

China Data Centers – Mixed IDC results on slow move-in. We note that first-half results for our covered A-share data center companies were largely mixed or below expectations, primarily dragged by slower domestic chip ramp-ups affecting customer move-in paces. Despite these near-term headwinds, we take confidence from a more positive computing power capex outlook into the second half of 2026, particularly for Range Intelligent, which we expect to deliver 390MW of capacity in China. We lower our 2026-28E revenue and EBITDA forecasts for Range Intelligent by 4-11% and 1-11% respectively due to tighter computing power supply, but we maintain our Buy rating with a lowered 12m TP of Rmb109. We remain Neutral on Shanghai Athub and Sell on Beijing Sinnet. *Timothy Zhao*

First Tractor – Share gains and export growth drive outperformance – Buy. We see the company outgrowing a recovering domestic tractor market while scaling faster overseas, supported by meaningful market share gains and stronger-than-industry export growth. Management highlighted that first-half domestic volume growth was more than double the industry rate, driven by intelligent product catch-up, tighter dealer management, and targeted regional execution. Furthermore, exports grew 47% year-over-year compared to the industry's 29%, backed by better product competitiveness and broader exposure to high-growth regions like the Americas. We maintain our Buy rating and H/A-share 12m TPs of HK$14/Rmb21.4, as third-quarter sales continue to outperform the broader market. *Nick Zheng*

Nio – Lower TP on weak 3Q26 guidance but improving profitability – Buy. We lower our 12m TP to US$6.1/HK$48 and cut our 2026-2028 non-GAAP net profit estimates to Rmb0.6bn-3.6bn following below-consensus 3Q26 volume and revenue guidance. The softer outlook reflects weak domestic demand and lower recognition of the Onvo brand, though 2Q26 results were broadly in line with solid vehicle margins supported by favorable product mix and cost optimization. We remain constructive on the stock as we expect sequential volume and operating profit improvements into the second half, driven by competitive new product launches into 2027 and a transition to positive free cash flow. *Tina Hou*

China Healthcare – Medical Device & Services 2Q/1H26 Review: Gradual Recovery Underway. We see a gradual operational recovery across the sector, though domestic demand visibility remains uneven and highly dependent on individual company execution. Globalization continues to emerge as the clearest differentiator, with companies like Angelalign, Edge Medical, AK Medical, and Microtech Medical—which raised its FY26 revenue growth guidance to over 40%—delivering stronger growth and margin resilience through visible overseas execution. Conversely, domestic-focused names face ongoing hospital capex headwinds and procurement disruptions, reflected in Tinavi Medical's 2Q revenue missing our estimates by 33% and Hygeia's top-line miss despite better-than-feared margins. While management teams are increasingly committing to enhanced dividends and buybacks, we believe a sustained sector re-rating requires clearer evidence of demand normalization and earnings visibility. *Chris Pan*

Horizon Robotics – Rising NOA penetration to drive Journey 6 adoption – Buy. Horizon

Robotics reported largely in-line 1H26 results, where revenue grew 33% yoy driven by strong license and service growth under the company's "ARM + Android" business model. Despite near-term pressure on industry vehicle volumes, we remain constructive on rising Navigate on Autopilot (NOA) penetration driving adoption of the Journey 6 Series and a continuous mix upgrade toward high-end solutions. We revise down our 2026 and 2028-30 earnings estimates by 3-9% and widen our 2027 net loss estimate to Rmb176m on reduced revenue assumptions, but look forward to the next-generation Journey 7 SoC tape-out in early 2027 targeting high-end L3 and L4 autonomous driving scenarios. 12m TP of HK$13.12. *Allen Chang*

Expert Call | Data Centers

Asia Pacific Data Centers – Southeast Asia Data Centers Expert Call. We expect AI to remain the primary structural driver for regional data centers, fueling a 25% plus compound annual growth rate through 2030. Our expert call highlighted that Johor is projected to surpass Singapore as the region's largest hub within 8 to 12 months. While growth is limited by powered land and long-lead equipment bottlenecks, AI workloads are commanding a 150-200% price premium over standard hyperscale leases. *Timothy Zhao*

Asia Macro | India Liquidity

Asia in Focus – India: Managing liquidity and FX: Buying time and flexibility. We note that record FCNR(B) inflows of $127bn have created a sizeable liquidity overhang in India's banking system, pushing the overnight call rate below the repo rate. We estimate the RBI faces a sterilization requirement of around 1.5% to 2.5% of net demand and time liabilities between September and December, likely requiring a combination of permanent measures like OMO sales and temporary operations. While a seasonal rise in currency in circulation should naturally reduce this surplus by March 2027, the choice of absorption tools involves cost trade-offs between the RBI, the government, and banks. Despite stronger external balances reducing overall BoP stress, we expect the RBI to use these inflows to reduce forward FX liabilities and rebuild reserves, keeping USD/INR broadly range-bound. *Santanu Sengupta*

Around the world | Global Rates & FX

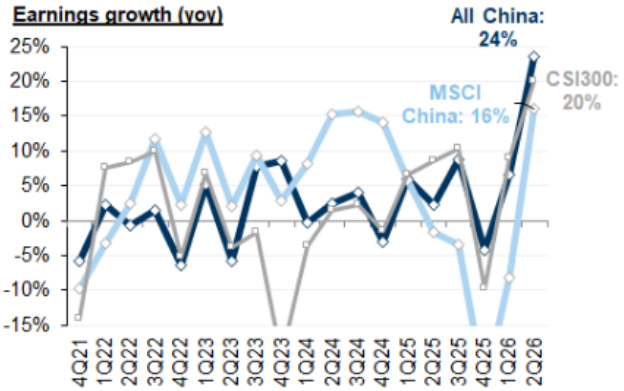
Global Rates Trader – Eyes on the Price. We note that global yields remain near recent highs as ongoing energy price risks limit the potential for sustainable broad relief, requiring a shift in fundamental views to drive a lasting rally. In the US, the front-end has been restored as the primary point of response, though the final verdict on September pricing rests with upcoming inflation data, leading us to prefer 5s10s steepeners amid two-way curve risks. Meanwhile, upside risks to European gas prices continue to threaten European and UK front-ends, shifting the risk-reward away from UK steepeners. In Japan, sustained hawkishness from the BoJ and demand optimism have shifted JGB curve behavior toward stronger flattening. *George Cole*

Global FX Trader – Is This For Real?. We see a strengthened case to be ta
following its recent rally, driven by rising probabilities of domestic polic
intervention risks, making short USD/JPY an attractive hedge for pro-ris
the broader Dollar, near-term direction hinges critically on upcoming A
data and the September FOMC meeting, though supportive global risk s
continues to favor relative value carry expressions. We expect the Euro



capped by energy terms of trade pressures, while the Australian Dollar stands to benefit from sturdy global growth and renewed commodity tailwinds, prompting us to recommend going short EUR/AUD. In emerging markets, we recommend going long INR/IDR on India's improving balance of payments and short SGD/CNH to position for gradual CNY appreciation. *Kamakshya Trivedi*

Graphic language | China Strategy – All-China earnings growth accelerated to +24% yoy in 2Q26, marking the highest quarterly growth in 5 years



Source: FactSet, Wind, MSCI, CSI, Goldman Sachs Global Investment Research

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GS Events (Home Page here)

- **Asia Healthcare CDMO Day | Singapore |** 23-25 Sep
- **Japan Conference | Tokyo |** 30 Nov - 4 Dec