The 720: TSMC, China Machinery, LeaderDrive, SHKP, Biren, Busy Ming, Yaskawa Electric, Nvidia, Microsoft, US Fiscal Sustainability

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In Focus | TSMC

TSMC – Communacopia + Technology Conference 2026: Strong AI Demand and Arizona Execution Support Margin Targets – Buy. We hosted TSMC CFO in our Communacopia + Technology 2026. Management remains confident in the multi-year AI megatrend, noting that lower compute costs and the shift toward agentic AI will broaden advanced silicon demand beyond accelerators to CPUs. Overseas execution is progressing well, with Arizona Phase 1 already profitable and achieving yields comparable to Taiwan, while leading-edge N3 and advanced packaging capacity remain exceptionally tight. Despite expected margin dilution from the upcoming N2 ramp and overseas expansion, management is comfortable achieving its long-term gross margin target of 56% and above, driven by disciplined capacity planning, high utilization, productivity improvements, cost reductions, and pricing that reflects TSMC's value. 12m TPs of NT$3,100/$620. *Evelyn Yu*

Listen Up - GS Webcasts on the Agenda

Navigating Brazil's Elections: Macro Dynamics, Policy Pivots, and Market Outlook | 9am HK | Access Webinar | with Alberto Ramos, Thiago Marinheiro, Fabiano Ribeiro, Fernando Ramos, Christine Tse

Themes in Play | China Machinery, Sinotruk, Samsung Life/Samsung F&M, LeaderDrive, Japan Electronic Components, Australia Banks

China Machinery - Genset supply chain trip takeaways: Demand runs ahead of supply - Buy Weichai Power. We hosted a three-day investor trip across Shandong Province, visiting companies in the data-center power-generator supply chain. We see robust order momentum and tight capacity for data-center power generators, with demand expected to accelerate notably in the second half of 2026 and 2027. Reciprocating engines are positioned for significant near-term growth over gas turbines due to shorter lead times, while the recent US executive order presents manageable risks for behind-the-meter generation assets. Reiterate Buy on Weichai with 12m TPs of HK$55/Rmb48. *Nick Zheng*

Sinotruk – Exports Stronger for Longer Amid eHDT Margin Pressure – Buy. Management highlighted robust export momentum and an upwardly revised long-term China heavy-duty truck export ceiling of 800k–1mn units. Management expects continued double-digit export growth in 2027 driven by demand in Africa and Southeast Asia, while domestic demand remains broadly flat supported by

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replacement needs. Export profitability remains structurally stronger at Rmb30k–80k per unit, whereas domestic margins face pressure as electric heavy-duty trucks remain loss-making due to intensifying price competition and battery-cost headwinds. 12m TP of HK$55. *Nick Zheng*

Samsung Life / Samsung F&M – SEC special dividends to boost cash earnings. We raise our FY26E–28E net profit estimates for Samsung Life by +39%/-11%/+15% and Samsung F&M by +11%/+2%/+12% to reflect higher Samsung Electronics (SEC) dividend income assumptions. While these higher dividends provide a meaningful cash earnings boost and greater flexibility, we do not expect a full pass-through to shareholders as both insurers pursue cross-border M&A. We prefer Samsung F&M (Buy) over Samsung Life (Neutral) given its structurally stronger ROE, better earnings quality, and a larger implied discount on its SEC stake, and we raise our 12m TPs to W350,000 for Samsung Life and W860,000 for Samsung F&M. *Sinyoung Park*

LeaderDrive – Raising TP on humanoid potential but margins pressured – Neutral. We raise our 12m TP to Rmb285.1 from Rmb186.7 to reflect extended forecasts through 2035E that capture long-run humanoid robot market potential, but maintain our Neutral rating due to near-term margin headwinds. While we project a robust 64% total sales CAGR for 2025-30E driven by surging global humanoid shipments and aggressive capacity expansion, we lower our 2026-30E net income estimates by 22% on average. This earnings reduction reflects an aggressive pricing strategy to deter new entrants and defend domestic market share, alongside higher depreciation costs from doubling capacity annually before industry demand fully catches up. Consequently, our 2026-28E revenue forecasts sit 21% above consensus, while our net income estimates are 19% below consensus. *Jacqueline Du*

Japan Electronic Components – New iPhones Launched: Apple Impact on a Downtrend. We see no major surprises from Apple's launch of the iPhone 18 Pro/Pro Max and its first foldable smartphone, the iPhone Duo, with pricing generally aligning with investor expectations despite a $100 increase for the Pro models. Against the backdrop of a rising sales mix for AI and data centers, we believe Apple's overall impact on Japanese electronic component makers is on a declining trend. Among related stocks, we highlight Buy-rated Murata Mfg. for potentially milder seasonal adjustments due to high RF content, Buy-rated TDK for positive ASP effects from a rising battery mix, and Neutral-rated Nitto Denko, whose entry into foldable optical films will likely remain marginal until 2027. *Daiki Takayama*

Australia Banks – Drivers of Australian business credit demand. We forecast a structural change in the trajectory of Australian business credit growth, expecting an average annual expansion of 8.2% over the next five years to support Major Bank earnings despite housing sector headwinds. This systemic expansion is primarily driven by the acquisition of existing commercial properties, as a 30% valuation premium for new construction, chronic undersupply, and rising construction costs reinforce a compelling "buy over build" thesis. Furthermore, a resurgence in foreign capital inflows and massive upcoming capital requirements for data centers and energy infrastructu to anchor strong credit demand. We believe NAB is well-positioned to c localized property projects, CBA and WBC can capture large-scale corp and ANZ is likely to benefit from the influx of offshore capital. *Brendan S*

Results | Sun Hung Kai Properties



Sun Hung Kai Properties – FY26 results inline with strong HK property sales – Buy. We slightly lower our 12m TP to HK$169 following inline FY26 underlying net profit of HK$22.9bn, driven by robust Hong Kong development property (DP) sales of HK$38.1bn that beat targets. We revise down our FY27-28E EPS by 5-6% to reflect updated property schedules, though we expect further DP margin recovery to the high-teens in FY27 alongside resilient retail rental performance. The group remains well-positioned for a multi-year Hong Kong property upcycle, supported by an industry-leading landbank, steady end-user demand, and upcoming farmland resumption compensation. *Simon Cheung*

GS Communacopia | Nvidia, Microsoft, US Technology, ASML

Nvidia – Communacopia + Technology 2026 Key Takeaways – Buy. Jensen Huang reiterated his 2030 AI TAM outlook of $3tn to $4tn, driven by the shift to generative computing and the increasing value of Nvidia's co-designed hardware and networking stack as Moore's Law slows. While acknowledging broad-based upstream component and downstream datacenter supply constraints, Mr. Huang emphasized its ecosystem scale advantages and reaffirmed expectations for approximately 70% year-over-year growth in CY27. Additionally, Mr. Huang struck a bullish tone on Physical AI applications like autonomous vehicles and warehouse automation, expecting the next major inflection from reasoning-based manipulation systems in roughly two years. 12m TP of $300. *James Schneider*

Microsoft – Communacopia + Technology Conference 2026: Accelerating Capacity Monetization and AI TAM Expansion. Management highlighted a balanced approach to capex amid ongoing supply shortages, focusing on accelerating the pace at which deployed capacity becomes revenue-generating rather than just adding new infrastructure. The company expects AI to expand the software total addressable market by shifting from seat-based licensing to outcome-based consumption, creating incremental demand for new workflows rather than just reallocating existing budgets. Furthermore, management described its silicon strategy as an extension of its cloud approach, utilizing both first-party chips like Cobalt and MAIA alongside third-party options to optimize workloads for the best price-performance outcomes. We maintain our 12m TP of $640. *Gabriela Borges*

US Technology – Communacopia + Technology Conference 2026 Day 2 Takeaways. We see agentic AI driving significant structural demand tailwinds across the US semiconductor supply chain, prompting capacity additions and extending visibility for capital equipment, foundry, and memory providers. Management teams highlighted tight supply conditions in advanced packaging and testing, alongside a broad-based recovery in analog end-markets supported by lean inventories and rising datacenter content. We remain constructive on the sector, highlighting our Conviction List name Applied Materials alongside Buy-rated TSMC, NXP, Cadence, SanDisk, IBM, Teradyne, and SiTime as key beneficiaries of these multi-year AI adoption and infrastructure trends. *James Schneider*

ASML – Communacopia + Technology 2026 Takeaways – Buy (on CL). Management's new capacity announcement points to further EUV upside, as a planned facility focusing on DUV production should free up capacity for EUV tools beyond the 120-130 systems currently under investigation. We believe average selling prices and gross margins will be supported by product mix, higher productivity, and a potential one-time pricing

rebalancing for products delivering unique customer value. Furthermore, the transition to 12-inch reticles is expected to improve High NA economics without altering near-term adoption timelines, while potential regulatory risks from the Match Act appear to have limited near-term impact due to lengthy implementation processes. We maintain our 12m TP of €2,200. *Alexander Duval*

GS Events | Biren, Busy Ming, Yaskawa Electric, Shiseido

Biren – Collaborating with local partners on next-generation AI chips – Buy. We hosted Biren's CTO during our China AI Tour. Management expects strong revenue growth driven by product mix upgrades, shipment ramp-ups, and expanding penetration among leading cloud service providers. Management highlighted ongoing collaboration with a local foundry partner on a next-generation AI chip featuring higher computing power and average selling prices, with revenue contributions expected in the coming quarters. Furthermore, management sees rising end demand for Superpod solutions, prompting partnerships with local optical solution providers and AI server ODMs to fulfill major clients' technical requirements amid a rapidly expanding domestic AI chip market. 12m TP of HK$80.5. *Allen Chang*

Busy Ming – NDR Takeaways: Unlocking quality expansion and efficiency – Buy. Management reinforced its ambition to reach Rmb200bn GMV within three years. Management sees ample penetration whitespace empowered by digitalized site selection, which has materially expanded the addressable store universe and enabled faster rollouts with lower failure rates. We believe medium-to-long-term same-store sales growth and sustainable profitability will be increasingly driven by operational excellence, including enhanced stocking efficiency, category expansion, and procurement leverage. 12m TP of HK$610. *Leaf Liu*

Yaskawa Electric – ERP & Production Update - Buy. We hosted Yaskawa's IR team for an update on ERP and production trends, confirming that inverter production is fully restored and robots are tracking in line with expectations for full operation by October. Management noted that servo production recovery will slip by one to two months, targeting full operation from November, following an unexpected utilization setback in August due to upstream stocktaking bottlenecks. Despite this delay, management emphasized there has been no impact on orders, and the company plans to achieve catch-up production across servos and robots by adding shifts. 12m TP of ¥9,000. *Yuichiro Isayama*

Shiseido – 2H Sales Growth Expected to Accelerate – Buy. Following a group call with IR, management expects sales growth to accelerate across all regions in 2H12/26, driven by a stronger new product pipeline and a company-wide focus on building momentum as structural reforms take effect. While 1H sales missed guidance, core operating profits beat expectations due to strict cost management, and management aims to achieve a 2030 core operating margin of 10% or more through global value chain and SKU optimization. Sell-out trends in China and travel retail are stabilizing with no excess inventory issues, and the Americas business is expected to achieve full-year profitability. 12m TP of ¥3,800. *Takashi Miyazaki*

Events | Nintendo

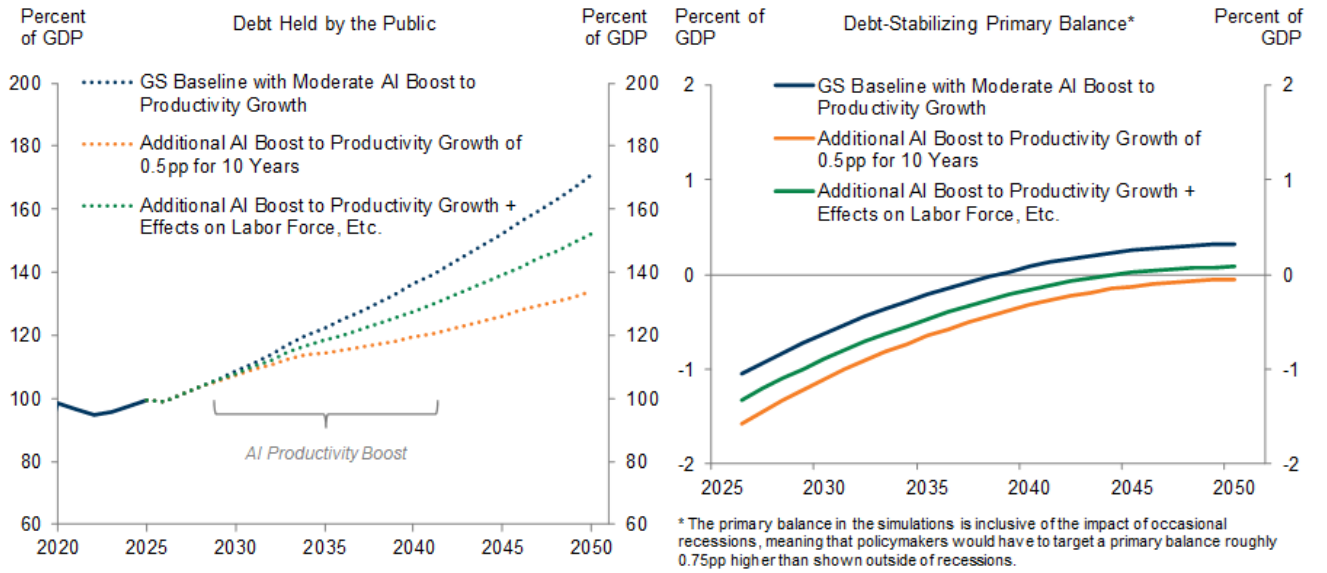
Nintendo – Ample Second-Tier Titles at Direct Events – Buy. Zelda and Nintendo Direct events showcased an abundant lineup of second-tier and third-party titles for the

upcoming winter. While the absence of new first-party AAA announcements could cause a near-term share price correction, we view the progress in building a broad-based software lineup as a positive driver for long-term sales stability. We expect Switch 2 penetration and earnings growth to progress as the exclusive software library expands, and we look to the upcoming 2Q management briefing for further clarity on hardware pricing and adoption strategies. 12m TP of ¥10,000. *Minami Munakata*

Around the World | US Fiscal Sustainability

US Macro – Fiscal Sustainability with Higher Rates and Higher Growth. We project the US debt-to-GDP ratio will rise from 100% today to 123% by 2035, driven by large primary deficits averaging around 3% of GDP and higher interest rates. While nominal interest expense as a share of GDP is set to substantially surpass its 1990s peak, balancing the primary budget outside of recessions—requiring a politically unlikely 3pp deficit reduction—would roughly stabilize the debt trajectory. We expect a larger AI-driven productivity boost could slow this debt expansion, though delayed fiscal consolidation risks pressuring the Fed to keep rates artificially low, potentially fueling inflation. *Pierfrancesco Mei*

Graphic Language | US Macro - A Larger Productivity Boost from AI Would Slow the Growth of the Debt and Reduce the Fiscal Consolidation Needed to Stabilize Debt-to-GDP, But Would Not Eliminate It



Note: In orange, we consider a scenario where the productivity boost from AI is larger than our baseline, with peak real GDP growth of 3% over the next 15 years. In green, we assume that other effects of AI will reduce the impact of the productivity boost on GDP growth and the deficit by half based on estimates from Harris, Mehrotra, and Overcash and the Yale Budget Lab.

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