The 720: US Midterms, Kioxia, Xiaomi, China DCs, Murata, Yum China, UOB downgrade, Goodman, Fositek

Michael Snaith
+852-2978-0455 | michael.snaith@gs.com
Goldman Sachs (Asia) L.L.C.

Caleb Chan
+852-2978-0790 | caleb.chan@gs.com
Goldman Sachs (Asia) L.L.C.

In Focus | US Midterms

US Macro – Democrats Win a House and Senate Majority with Gains Well Above Expectations. We note that Democrats have secured both House and Senate majorities by significantly larger margins than expected, providing them with a comfortable governing cushion and greater leverage in negotiations with the White House. We expect Democrats to use upcoming fiscal and debt limit deadlines to seek concessions such as limiting the war with Iran, rolling back selected tariffs, and reversing last year's spending cuts, which we estimate would boost 2027 spending by 0.25% of GDP. While federal AI regulation is unlikely to change, Democratic gubernatorial gains are likely to trigger short-term data center moratoria pending new state legislation, potentially affecting 45% of planned US capacity expansion. *Jan Hatzius*

New | UOB downgrade to Sell

United Overseas Bank – More headwinds than tailwinds – Downgrade to Sell. We downgrade United Overseas Bank to Sell from Neutral and lower our 12m TP to S$35.1 as we see a challenging earnings outlook driven by rising deposit pressure, weaker operating leverage, and lingering real estate and hospitality (REH) concerns. Third-quarter results highlighted worse-than-expected net interest margin compression due to retail deposit competition and ongoing CASA-to-FD migration, which, coupled with a heavier investment cycle, raises the risk of near-term negative jaws. Furthermore, rising Greater China REH non-performing loans and falling reserve coverage leave less buffer against unexpected deterioration, prompting us to cut our FY26E–FY28E net profit estimates by 6%–13%. *Melissa Kuang*

Themes in Play | Kioxia, Murata, Yum China, Xiaomi, China DCs, Goodman, Fositek

Kioxia – Addressing Investor FAQs – Buy. We reiterate our Buy rating and 12m TP of ¥39,000, fine-tuning earnings forecasts by less than 1% as we see no negative factors altering the structural growth outlook. While recent guidance missed expectations, management expects overall bit growth to rise by high-single-digits to 10% sequentially in the fourth quarter on strong data center and enterprise demand, with multi-year contract coverage substantially exceeding 50% for 2027 and 2028. We also see a high likelihood of additional share buybacks in the fourth quarter or fiscal 2028 once the holding company's distributable dividend capacity increases under the Companies Act. We believe tightening NAND supply and higher

Goldman Sachs does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision. For Reg AC certification and other important disclosures, see the Disclosure Appendix, or go to www.gs.com/research/hedge.html. Analysts employed by non-US affiliates are not registered/qualified as research analysts with FINRA in the U.S.

sustainable profit margins offer a compelling risk/reward profile following the recent share price correction. *Shuhei Nakamura*

Murata – Strategic capacity expansion points to broad-based price hikes – Buy (on CL). We maintain our 12m TP of ¥13,200, as we view the company's ¥1 tn long-term MLCC capacity expansion plan not as excessive, but rather as a strategic catalyst that supports a broader price hike strategy. Driven by rising investment and cost burdens across the supply chain for AI and edge computing, we believe pricing is shifting from localized increases to general hikes across a wider range of applications, mirroring the 2017 auto electrification cycle. We expect broad customer price negotiations could occur this fiscal year with earnings impacts materializing from FY3/28 onward, potentially driving sales well above the company's conservative ¥2 tn target for FY3/31. *Daiki Takayama*

Yum China – Multiple Levers Underpin 2027 Double-Digit EPS Growth – Buy. We maintain Buy with 12m TPs of US$60 for the ADR and HK$467 for the H-share, as recent management meetings reinforced our confidence in the company achieving double-digit EPS growth in 2027. Management expects this earnings trajectory despite forecasting modest 0-2% same-store sales growth, bridging the gap through 10% to low-teens net new-store expansion, operating margin improvements, and ongoing share buybacks. The outlook is further supported by a gradually healthier competitive and pricing environment entering 2027, alongside optimized cost structures highlighted by store rental ratios falling below 8% for the first time in nearly a decade. *Michelle Cheng*

Xiaomi – 3Q26 Preview: Earnings Revisions Near a Trough – Buy. We maintain our Buy rating but lower our 12m TP to HK$35, cutting 2026E–28E group revenue by 0–8% and adjusted net profit by 6–16% primarily due to lower EV revenue and higher AI investments. For 3Q26E, we model revenue declining 6% year-over-year to Rmb107bn and adjusted net profit falling 57% to Rmb4.9bn, which we expect to mark the earnings trough for the year. We believe shares could inflect higher in the medium term as the narrative turns more constructive, supported by improving smartphone dynamics from higher ASPs and stabilizing memory costs, alongside solid execution toward the 450k EV delivery target for 2026. *Timothy Zhao*

China Data Centers – 3Q26 A-share Review & ADR Preview. We expect a widening divergence in growth and returns between traditional powered-shell operators and integrated AIDC/neocloud platforms, as AI compute investments surge and capital access becomes a critical competitive edge. Reflecting accelerated computing cluster expansions, we raise 2027E-28E EBITDA for Buy rated Range Intelligent (300442.SZ, 12m TP Rmb97) by 150-217%, though domestic chip supply constraints continue to weigh on traditional move-ins. Conversely, driven by widening US-China yield gaps and multiple contraction, we cut 12m TPs by 50% on average for ADRs—including Buy rated GDS (GDS/9698.HK, US$30/HK$29) and VNET (VNET, US$4.6)—and 15% for A/H-share names. We maintain Neutral on Athub and SUNeVision, and Sell on Sinnet (300383.SZ, 12m TP Rmb9) after lowering its 2026-28E net income estimates by 42-45% due to sustained pricing pressures. *Timothy Zhao*

Goodman Group – 1Q27 Update: Quality Core, Conversion Still to Come – Buy. Following Goodman Group's 1Q27 operational update and reiterated FY27 operating EPS growth guidance of 9%, we leave our A$32 12m TP unchanged. Management appeared incrementally more confident on leasing, with key data centre negotiations advancing, alongside a successful US$455mn capital raise for its Hong Kong partnership despite

higher-cost funding markets. However, no new data centre contracts were announced, keeping work-in-progress flat at A$19.7bn, and core portfolio metrics moderated slightly. Consequently, we lower our FY27E-29E EBITDA and EPS estimates by 0.6% to 0.7% to reflect the lower production rate, though we remain constructive on the company's strategic land bank and digital infrastructure pipeline. *Chris Boulus*

Fositek – Liquid Cooling Drives Margin Expansion and TP Increase – Buy. We maintain our Buy rating and raise our 12m TP to NT$2,390 from NT$2,082, increasing our 2026E-28E EPS estimates by 1%-23% and gross margin forecasts by 3.1-5.3ppt to reflect a faster-than-expected mix shift toward the server business. While 3Q26 revenue missed our estimates, gross margin significantly beat by 6.4ppt to reach 38.0%, and we expect revenue and margins to continue expanding into 4Q26 driven by the ramp-up of Vera Rubin, which requires 25%+ higher quick disconnect (QD) usage than GB300. We believe the company is successfully transitioning into an AI-focused supplier, supported by its recent QD capacity expansion to 4.5mn units per month and accelerating demand across GPU and ASIC clients. *Chao Wang*

Results | Coupang, Astellas Pharma, NTT, Sumitomo Bakelite, Pay Pay

Coupang – 3Q26 Review: Growth and Margin Troughs Behind Us – Buy. We raise our 12m TP to $29 following a better-than-feared 3Q26, where constant-currency group revenue grew 11% year-over-year to beat guidance and group adjusted EBITDA margin met expectations at 1.2%. We believe both top-line momentum and margins have now bottomed, leading us to slightly raise our 2027E and 2028E Product Commerce adjusted EBITDA margin estimates and reinforcing our 2027 V-shaped recovery thesis. While management raised its full-year Developing Offerings loss guidance by $50-100 million, we view this as a positive signal of confidence in accelerating Taiwan infrastructure investments rather than a deterioration of existing operations. *Eric Cha*

Astellas Pharma – 2Q Slightly Above Expectations on Key Products – Buy. Astellas reported 1H core operating profits of ¥424.9 bn, slightly above our estimate of ¥406.7 bn, driven by stronger-than-expected sales of Xtandi and Padcev. The company raised its FY3/27 core operating profit guidance to ¥700 bn from ¥620 bn, broadly in line with our prior estimates, leading us to make minor adjustments of less than 1% to our FY3/27E–FY3/31E operating profit forecasts. We view the steady earnings and pipeline progress constructively, including achieving proof-of-concept for prostate cancer treatment ASP6958/VIR-5500, and maintain our 12m TP of ¥3,100. Looking ahead, we remain focused on sales expansion for key strategic products like Izervay and Vyloy, alongside profitability enhancements under the Sustainable Margin Transformation program. *Akinori Ueda*

NTT – 2Q OP misses but full-year guidance raised; expecting 2H recovery – Buy. We maintain our 12m TP of ¥191 following lackluster 2Q results, where operating profits of ¥404.9 bn missed our expectations due to weakness in Docomo enterprise and overseas IT services. Factoring in mobile price hikes and strong performance in smart life, management raised its full-year operating profit guidance from ¥1.71 tn to ¥1.73 tn—its first upward revision in nearly five years—though this remains below consensus. We expect an earnings recovery phase from 2H onward, driven by rising consumer communications ARPU and strong modernization demand in domestic IT services, offsetting ongoing challenges and a high hurdle for the overseas IT segment. *Chikai Tanaka*

Sumitomo Bakelite – Strong Q2 Beat and Upgraded Guidance Driven by Semiconductor Materials – Buy. We maintain our 12m TP of ¥11,760 following a significant Q2 business profit beat of ¥14.5bn (+79% YoY) and management raising its full-year business profit forecast from ¥38.0bn to ¥55.0bn. This upward revision puts the company on track to achieve its Vision 2030 profit target four years early, fueled by robust semiconductor encapsulation material demand for AI servers, memory, and LEO satellites. We expect continued earnings momentum in the second half, supported by an estimated 30% YoY increase in encapsulation material volumes, upcoming capacity expansions, and integration synergies from the acquired Kyocera Chemical business. *Atsushi Ikeda*

PayPay – 2Q beat and second guidance raise – Buy. We maintain our Buy rating with a revised 12m TP of $31 following PayPay's 2Q3/27 results, which beat expectations and prompted management to raise full-year operating revenue and adjusted EBITDA guidance for the second time this year. The outperformance was driven by a 10-basis-point sequential rise in the take rate, 40% year-over-year growth in online GMV, benefits from an early BOJ rate hike, and strict expense controls. We adjust our FY3/27E–FY3/31E adjusted EBITDA estimates to reflect the strong quarter and updated company outlook. Despite expected temporary margin pressure in the third quarter from tighter online payment controls, underlying payment volume and loan balance growth remain robust. *Makoto Kuroda*

GS Events | Shengyi Tech, APAC Healthcare Day

Shengyi Tech – Management Visit: Strong AI CCL demand; Capacity expansion ongoing – Buy. Management notes supply chain order visibility extends through 2028, with CCL pricing continuing to rise due to tight raw material supply, which is positively impacting gross margins. To capture this strong end demand, the company plans to expand rigid PCB CCL capacity by approximately 25% over the next 10-12 months, focusing on M6 and above products as rack-level AI server upgrades drive penetration of higher-speed materials. We remain positive on the AI CCL industry and expect volume growth to significantly outpace capacity additions in the coming years, mitigating investor concerns over potential oversupply. We continue to view the company as a key beneficiary of the structural AI infrastructure ramp-up. 12m TP of Rmb255. *Chao Wang*

GenFleet Therapeutics – Asia Healthcare Corp Day: Addressing GFH276 Safety Debates – Buy. Following recent stock volatility, management provided a detailed safety breakdown for GFH276, demonstrating clear dose-dependency with zero cases of Grade 3+ rash at 40-120mg doses in PDAC. Management expects the drug's safety profile to improve in future trials through proactive prophylactic treatments, noting that tolerability differences in NSCLC are organ-specific rather than drug-specific. Furthermore, management highlighted competitive monotherapy responses across mutations, including a 41% objective response rate in 2L+ PDAC, and views combinability with cetuximab, chemo, or IO as the key differentiator for future registrational trials. Our 12m TP is HK$52. *Linhai Zhao*

Gushengtang – Asia Healthcare Corporate Day 2026 Takeaways. Management highlighted resilient operating momentum during our Asia Healthcare Corporate Day, noting 3Q26 customer visits grew 14% year-over-year to roughly 1.8mn despite temporary weather disruptions across East and South China. Management expects second-half visits to remain broadly stable versus the first half, guiding to FY26 revenue growth of 10% to 15% alongside a 3% to 4% decline in average selling prices driven by a

mix shift toward lower-ticket consumer services. Clinic expansion remains well on track, with management targeting over 100 domestic clinics in economically developed cities and Rmb100mn in profitable overseas revenue by year-end, while reaffirming annual dividends of at least HK$450mn for 2026–2028. We maintain our 12m TP of HK$35.3. *Chris Pan*

Everest Medicines – Asia Healthcare Corporate Day Takeaways – Neutral. Management shared details on Everest's mRNA cancer vaccine programs, highlighting potential EVM16 differentiation through its proprietary L41 LNP delivery system and exploration in gastric cancer. Management expects the ongoing Phase 1 study to provide the first clinical read-through on whether this proprietary lipid translates into a stronger immune response, with topline data expected in the second half of 2027. Furthermore, management believes validating the modality in more challenging, immunosuppressive tumors beyond melanoma will be crucial for securing future business development opportunities over the next 12-18 months. We maintain our 12m TP of HK$39.66. *Ziyi Chen*

Edge Medical – Overseas expansion on track; domestic policy in focus – Buy. Management highlights overseas commercialization as the key growth driver, expecting 110–120 installations in FY26 and 230–250 in FY27, supported by traction across emerging markets and an integrated three-in-one platform. While domestic demand awaits the relaxation of installation quotas and policy implementation such as DRG 3.0, management maintained its guidance of over 20 domestic installations for FY26. Despite persistent pricing pressure across markets, the company aims to sustain a gross margin above 60% by not fully matching peer price cuts. We maintain our Buy rating with a 12m TP of HK$60. *Chris Pan*

China Medical System Holdings – New product cycle set to accelerate. Management highlighted at our Asia Healthcare Corporate Day that the company has entered a new product-driven growth cycle as legacy volume-based procurement impacts fade, driving potential growth acceleration into 2028. This next wave will be underpinned by the targeted 2027 approval of four innovative drugs, including Y-3 injection and MG-K10, as well as an expanding Southeast Asia commercialization and manufacturing platform. While the Dermavon franchise is expected to deliver over 50% revenue growth in 2026, management noted a slower-than-expected initial ramp for ruxolitinib cream due to high packaging costs, prompting plans to seek approval for a smaller, more affordable pack around 2028. We have a 12m TP of HK$17.96. *Honglin Yan*

New | Xgimi upgrade to Neutral

XGimi – Rising overseas contribution offsetting domestic weakness – Upgrade to Neutral. We upgrade Chengdu XGimi Technology Co. to Neutral from Sell and raise our 12m TP to Rmb101 from Rmb86, seeing a balanced risk-reward between a fast-growing overseas business and a declining domestic market. Third-quarter 2026 results beat our expectations as overseas sales more than doubled to exceed 60% of revenue, returning total sales to double-digit growth for the first time since late 2022. We revise our 2026E-28E EPS estimates up by 4% to 17% and raise revenue forecasts by 9% to 19% to reflect this structural shift, supported by successful high-end projector launches and channel strategy adjustments. While an improved product mix is aiding gross margins, near-term cost pressures from memory chips and ongoing domestic demand weakness remain key drags on profitability. *Nicolas Yi*

Asia Strategy | Earnings Revisions

Asia-Pacific Strategy – ERLI Continues to Project Moderately Stronger Earnings Upgrades. We continue to project moderately stronger earnings upgrades across the region despite mixed macro activity data, with October consensus earnings rising 3.3% month-on-month. We expect North Asia to maintain upgrade leadership, driven by tech hardware-oriented markets such as Taiwan and Korea on the back of ongoing memory price increases and strong tech export growth. Conversely, we anticipate continued earnings downgrades in China due to softer manufacturing activity and a sequential decline in industrial revenue, alongside weakness in Australia tied to lower iron ore prices. For our stock screens this month, our preferred long sectors are Tech Hardware, Industrials, Energy, and Banks, while our short sectors are Utilities, Consumer Discretionary, New Tech, and Consumer Staples. *Timothy Moe*

Event | Estee Lauder China Capital Markets Day

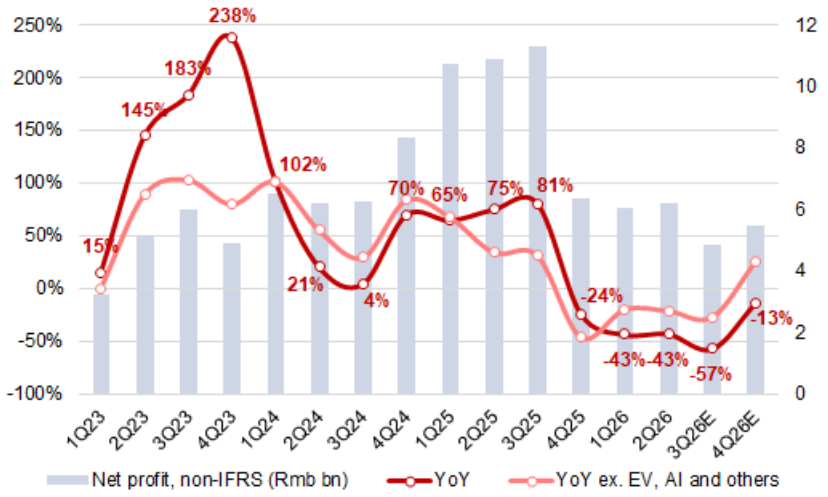
Estee Lauder – China Capital Markets Day Takeaways – Buy (on CL). We reiterate our Buy rating and 12m TP of $129 following the Capital Markets Event in Shanghai, where management introduced FY30 targets including mid-single-digit organic sales growth, 16.5%-18.5% adjusted operating margins, and double-digit adjusted EPS growth. We expect top- and bottom-line momentum to prove durable, driven by stabilizing trends and market share gains in Mainland China, alongside a right-sized, less volatile travel retail business. Furthermore, the updated 'One ELC' operating model and expanded productivity savings should support faster on-trend innovation, greater organizational agility, and continued margin expansion. *Bonnie Herzog*

Around the world | ARM Holdings, Freeport-McMoran

ARM Holdings – Results Beat on Licensing but Royalties Miss – Sell. We expect the stock to be range-bound following headline revenue of $1.44 bn and operating EPS of $0.52 that beat Street expectations, driven by stronger-than-expected licensing revenue of $773 mn but offset by a significant royalty miss at $670 mn. Management noted increased confidence in achieving up to $2 bn in AGI CPU customer demand, while guiding FY3Q revenue to $1.54 bn and EPS to $0.56 at the midpoint, broadly in line with consensus. Looking ahead, we expect investors to focus on AGI CPU supply availability, smartphone market recovery visibility, and the FY27 royalty revenue outlook. We maintain our 12m TP of $160. *James Schneider*

Freeport-McMoRan – Bagdad Expansion FID in Line - Buy. We view the board's approval of the $4.5bn Bagdad expansion as a positive read-through, with project terms and the ~3.5-year construction timeline largely matching our expectations. The modernization is expected to double mining rates to add ~225mn lbs of copper and ~12mn lbs of molybdenum annually by mid-2030, while reducing long-term unit net cash costs by roughly 20%. Updated guidance points to a capital spending step-up of ~$0.9bn in 2027 and $1.35-1.58bn in 2028, which we see as supportive of the company's longer-term U.S. volume growth profile and lower unit costs as the project ramps. Our 12m TP is $83. *Nick Cash*

Graphic language | Xiaomi (Buy) – We forecast non-IFRS net profit to bottom in 3Q26E



Source: Company data, Goldman Sachs Global Investment Research

Asia Market Intelligence
Connecting research to markets and the themes that matter Explore >

GS Events (Home Page here)

- **APAC Healthcare Corporate Day 2026 - Part I | Hong Kong** | 3-6 Nov
- **Korea KRX Kosdaq Corporate Day | Hong Kong & Singapore** | 24-25 Nov
- **India Corporate Day | Hong Kong** | 30 Nov - 1 Dec
- **Japan Conference | Tokyo |** 30 Nov - 4 Dec