CONNECTING THE DOTS

Conviction List, Capex (AI and beyond), AI drivers (talent) and China Dragon plus key research

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Conviction List. We added two new ideas to our Conviction List with Jessica Graham. The new additions are: 1) **TGS** which Michele della Vigna expects to be one of the earliest beneficiaries of capex increasing and the return to frontier investment. Feedback since we added has focused on the oil price downside risk, but we think the decline in oil reserve life and maturing US shale mean investment comes back as long as we are above $60/bbl. **Join us for a call with Michele and commodities on Monday** which will discuss oil and capex; 2) **Halma,** which Christian Hinderaker sees as one of the highest-quality, highest-return growth compounders with a proven track record. Niche products in highly regulated markets have enabled it to deliver strong pricing power and Christian continues to see growth being underpinned by M&A (with more deals announced this week). It has de-rated post disappointment around Photonics guidance, providing a compelling entry point.

Capex and ways to play it from the CL. We also highlighted Peter Oppenheimer's recent report on the capex boom and it's worth noting that six of our European CL names feature on his list (in bold below). AI and AI derivatives are a key driver of capex but there are other themes to focus on too (including oil capex as per the above):

- Electrification, Datacenters and power bottlenecks through **Enel**, Naturgy, **Schneider Electric**, Siemens Energy and Ceres Power. New addition Halma has exposure to Datacenters via its Photonics business.
- Defence and broader German fiscal spend through Rheinmetall and **DSV.**
- Trucks through **Knorr-Bremse** (also a German fiscal beneficiary but trucks story is more US focused).
- Real Estate through **Vonovia** and CTP.
- Oil capex through TGS (see above).
- Aluminium downstream tightness through **Norsk Hydro.**

All roads really do lead to datacenters – freight and potential delays to vessels. Patrick Creuset's upgrade of Maersk to Neutral is partly based on vessel deliveries slipping, given rising datacenter demand for diesel generators creating, engine supply chain bottlenecks for marine players. He estimates that the annual DC-related demand for heavy-duty diesel engines could outstrip marine demand. **Worth**

thinking through where other traditional industries might be impacted by delays or price increases as supply chains get crowded due to DC orders.

AI drivers – talent is key. Chris Hallam's expert call with the CEO and co-founder of a global framework which measures AI maturity across financial services (Evident AI) highlighted the importance of talent (45% of the index). Evident views Europe's shallower AI talent pool as one of the principal reasons for the gap versus the US. On jobs, despite widespread concerns on job losses, the current trend is one of reinvestment in talent and front-line capacity. Listen to Chris on our On the Road podcast – **4:30 minutes, which has wider read than banks – the culture differences in firms (talent, management focus on AI) will likely lead to more dispersion in AI outcomes than the AI baskets currently capture.**

Europe and the China Dragon. Sharon Bell reminds us that China is continuing to take share in Europe (more than ever) and that her China competition basket (GSXECHNX) has been one of the most consistent underperformers (see Exhibit 6). Europe is starting to try to raise trade barriers but that takes time.

GS Research from the week

We filter this week's research through the merchandising lens to highlight actionable ideas and pull out some themes / key messages which we think are important - click into the reports for more!

Conviction List

European Conviction List - July 2026 Update

US Conviction List - Directors' Cut: July 2026 Update **-** Adding EL, NXT, WFC; removing BRX, DUK, and NVT. **Podcast version here**.

APAC Conviction List - Directors' Cut: July update **-** Adding KB Financial, Hyundai Mobis, NetEase, ResMed; removing TSMC, Alibaba, Mao Geping, APR, Fisher & Paykel.

Previews

See more previews **here** – below are a selection.

Commodities & Industrials

Three previews to highlight from Daniela Costa

- **Schneider Electric (SCHN.PA):** Buy (on CL) - Expects a FY26 OSG guidance raise at 1H and is 3%/7% ahead of consensus on adj. EBITA FY26/27.
- **Prysmian (PRY.MI):** Buy - Slightly increased numbers for 2Q but c.4% below consensus (recent fiber trip site visit feedback was very bullish expectations), still see upside to FY26 and expect guidance raise, T&D and Datacenter exposure place to be.
- **VAT Group (VACN.S):** Buy - Ahead of consensus by 4%/17% for FY26/27E adj. EBITDA.

GS Renewables Barometer: US orders & Offshore turnaround coming through at Vestas **-** Ajay Patel sees US onshore wind continuing momentum in 2Q and expects a ramp up in profitability for Vestas and Nordex (Buy). Siemens Energy (Buy, on CL) focus into results is on order intake and clues to FY30 targets (expects upgrades later this year).

Consumer

Zalando SE (ZALG.DE): Preview ahead of 2Q26 results; Remain Buy (on CL) **-** Richard Edwards expects 2Q revenue growth of 23% yoy with numbers unchanged and trackers showing German online outperforming instore but some slowdown.

Six previews from Olivier Nicolai

- **Haleon (HLN.L):** Buy (on CL) **-** In line with consensus OSG at 3.5%, expecting acceleration from 1Q in North America.
- **Anheuser-Busch InBev (ABI.BR):** Buy **-** Q2 volumes at 1% vs consensus at 0.9% and is slightly below on revs)**.**
- **Heineken (HEIN.AS):** Buy **-** Strong growth in Asia and Africa, offset by Americas GSe flat volume growth in line with consensus.
- **Carlsberg (CARLb.CO);** Buy **-** Decent volume recovery expected but note sees +2.6% OSG vs 3.1% consensus.
- **Nestle (NESN.S):** Buy **-** Broadly in line vs consensus on OSG at 3.6%.
- **Danone (DANO.PA):** Neutral - 3.8% organic sales growth with +2% volume/mix, broadly in line with consensus.

BSTL

InterContinental Hotels Group (IHG.L): Buy (on CL) **-** Ben Andrews lifts 2Q RevPAR forecast up to 3% from 1.8%, and expects stronger trends in Americas and smaller ME impact with operating profit slightly above consensus for FY26.

Europe Construction: Heidelberg/Buzzi **-** Ben Rada Martin believes that 2Q price/cost may be more modest than consensus expectations of improvement vs. 1Q.

TMT

Bouygues (BOUY.PA): Two potential organic drivers of consensus upgrades; Not Rated **-** Mollie Witcombe highlights away from consolidation, there are two notable organic drivers **1)** above cons growth at Equans (energy and services business) and **2)** falling capex intensity at telcos. For 2028 she 21% ahead of consensus FCF.

Healthcare

Argenx SE (ARGX.BR): Buy (on CL) **-** Rajan Sharma expects revenues broadly in line with consensus and updates number post R&D day, reducing some of the subtypes but offset by higher revenues from recent prescription data so PT unchanged and sees numbers derisked.

China Competition

Europe Strategy: Europe and the China Dragon – a fiercer fight **-** Sharon Bell highlights China is taking more share in Europe than ever, given weak domestic demand in China, cost advantages and undervalued FX. **Most exposed:** GSXECHNX, Autos, Medttech, Chems and select Industrials.

Europe—A Shift in European Trade Policy Towards China: Targeted Tariffs, Strategic Restraint **-** Filippo Taddei sees a blanket style tariff as unlikely but expects the EU to move towards a more assertive stance as China exports continue to rise.

AI, Data Centres and CAPEX

From AI Innovation to Productivity

US Economics: From Innovation to Productivity Boom: Lessons from the ICT Revolution for the AI Era **-** Elise Peng expects AI to meaningfully boost productivity growth over the next decade.

Credit: AI-Related Signals From Corporate Credit Commentary **-** Sara Grut notes AI mentions largely focus on productivity but in sectors like energy and consumer in Europe is more around workforce.

Global Economics: Disentangling Tech Hiring Headwinds: Higher Rates, Overhiring, and AI – Joseph Briggs highlights higher rates, overhiring and AI can only explain around half of the 5pp/year slowdown in tech hiring (vs. trend) since 2022.

AI-related acquisitions

Schneider Electric (SCHN.PA): Announces $3.1bn acquisition of software company Cognite; Buy (on CL) - Daniela Costa highlights the acquisition of Cognite (previously owned by Aker, industrial data and AI software) was an all cash transaction implying 2025 EV/Sales multiple of 18.2x (above software peers).

ON Semiconductor Corp. (ON): To acquire Synaptics in order to bolster exposure to emerging physical AI opportunity

AI Supply Chain

TSMC (2330.TW): Accelerating capacity build to secure a stronger growth trajectory; reiterate Buy with TP up to NT$3,000

ASML Holding (ASML.AS): Buy **-** Alex Duval highlights an increased memory capex outlook and raises his PT by 13%, applying 43x CY27 PE (from 40x) to higher EPS, reflecting stronger growth outlook.

China SPE: Memory/ advanced logic capacity expansion drives growth ahead; Valuation framework reset on better long-term visibility

Americas Hardware: CPU server demand driven by refresh, agentic AI **podcast version here**

Japan Technology: Semiconductor Capital Equipment: 2H CY26 investment strategy: Maintain Buy on Lasertec/Ebara/Disco/TEL; reinstate rating on Kokusai Electric at Neutral

Americas Internet & Interactive Entertainment: 10 Industry Themes for 2026 & Focus Stocks Going Forward (Mid-Year Update)

Capital Markets Activity

European Strategic M&A—Accelerating Volumes, But Still a Bondholder-Friendly Backdrop

Americas Capital Markets: Terminal value debates vs. (mostly) strong EPS growth trajectory across the group

Macro Credit Views: Dispersion, not disruption

Commodities/Power

Commodity Views: From Energy to Metals: Why to Still Diversify Into Commodities **-** Samantha Dart notes the Iran conflict ultimately reinforces many of the themes supporting power and metals demand, more so than O&G.

Oil: Gulf Exports: 2 Steps Forward, 1 Step Back - Filippo Cuscito highlights flows swiftly ramped up and were nearly 80% of pre-war levels. Visible stocks continue to draw with an average month-to-date June pace of -2mb/d.

US Energy: Closer Look at M&A Potential in Energy and the Case for Continued Consolidation

Australia Metals & Mining: Gold: Buy vs. Build analysis: Doubling of gold capital intensity may drive increased M&A

Ratings Changes & Initiations

A.P. Moeller-Maersk (MAERSKb.CO): Up to Neutral – Patrick Creuset upgrades Maersk to Neutral as he thinks new capacity growth gets pushed to the right partly due to datacenter demand for diesel generators creating supply chain delays. He sees significant upside to numbers and is watching capital allocation under new CFO.

Lumo Homes Plc (LUMO.HE): Up to Buy **-** Jonathan Kownator sees occupancy rising helped by new dynamic pricing strategy, shift to buybacks is accretive and at biggest discount since IPO with limited balance sheet risks.

Tracking the data

Informa (INF.L): Top 50 Exhibition Tracker: Update on Middle East events data; average exhibitor volume +4.1% yoy ytd & 2-3% pricing growth; Buy

Gaming: What the latest state data tells us about US gaming **-** Ben Andrews highlights same-state OSB handle growth was c.-1% yoy in May vs. -2% Jan-Apr; also looks at World Cup positive datapoints on customer acquisition and engagement.

Europe Automobiles: US SAAR continues growing in June, Stellantis sees market share moderate QoQ with inventory climbing up

Travel & Leisure: Global RPK growth declines -2.2% yoy in May, driven by continued Middle East weakness

Europe Beverages: Insights from NABCA: Soft US spirits volumes in May, Diageo and Pernod underperform

Sector Updates

Europe Food: Super El Niño implications across European Food: TMICC and Danone best positioned, while Barry Callebaut and Lindt most at risk **-** Sam Darbyshire highlights a super El Nino is almost certain and sees TMICC (Sell) and Danone (Neutral) as best positioned with lower exposures to affected commodities and positive category exposures. Those with the biggest risks include Lindt (Sell) and Barry Callebaut (Neutral) given cocoa headwinds. She is hosting an expert call on the topic next week (7th July), sign up **here**.

Europe Building Materials: Moderating inflation and rates: How to position for upside; Buy Sika, Rockwool **-** Ben Rada Martin notes lower oil means price/cost scenarios skew to the upside for product that realise pricing into more limited inflation, play through lightside, Buy Sika (2/3 COGs are oil derivs) and Rockwool.

Europe Aerospace & Defense: UK Defence Investment Plan **-** Sam Burgess sees the plan as a de-risking event including for BAE (c27% sales FY25 from UK), confirming a £298bn funding over 4 yrs with incremental £15bn (c£5bn needs still needs to be funded at Budget 2026).

Conferences & Management Takeaways

Ceres Power (CWR.L): Key takeaways from Ceres Power Manufacturing Innovation Center in London; reiterate Buy **-** Michele della Vigna highlights Ceres already has a credible path to meaningful scale through existing partners, and remains confident that they will announce a new licensing partner by year-end.

Infineon (IFXGn.DE): Key takeaways from Dresden site visit, reiterate Buy - Alex Duval's visit highlighted AI differentiation underpinned by broad portfolio, production scale / flexibility c.3 years ahead of competitors with the Dresden facility ramp allows benefits from near term AI power demand.

Banks: Measuring AI Maturity in Banking: Insights from the Evident AI Index CEO — Key Takeaways - Chris Hallam notes the US is still ahead of Europe on AI investment and talent was identified as the largest enabler of AI (45% of the index).

Global Pulp & Paper: Takeaways from GS 4th Global Pulp & Paper Week see podcast version **here**.

Reiterate Buy

Wise Group (WSE): Reflecting elevated opex spend but see greater internal efficiencies to offset and revenue momentum continuing; Structural thesis intact; Buy (on CL) **-** Post results, Mo Moawalla updates estimates reflecting elevated opex spend but sees greater internal efficiencies to offset with revenue momentum continuing. He sees the structural thesis intact.

RWE (RWEG.DE): Amprion: Two underappreciated sources of upside; Buy **-** Alberto Gandolfi notes guidance looks overly conservative post its Amprion stake increase. Alberto believes we could see higher accretion and organic growth as well as lower cost of capital. By 2031 Amprion and EON could be ¼ of RWE equity value.

Naturgy Energy Group (NTGY.MC): Good capital deployment could lead to +7% EPS CAGR to 2031 ; Buy (on CL) **-** Alberto Gandolfi increases capex assumptions supporting a 7% EPS CAGR to 2031. Shifting mix to electricity could also drive multiple expansion, raising his PT up by 5%.

Puig Brands S.A. (PUIGb.MC): Strategic optionality, innovation accelerating; Buy - Aron Adamski notes Puig is trading too cheap for growth and optionality on offer, less than 14x CY27E P/E for 5.5% OSG (1-5% ahead of consensus FY26-28E EPS).

Sika (SIKA.S): Capturing both sides of the price/cost equation, raising 2027 estimates; reiterate Buy

Earnings & CMDs

Commodities & Industrials

BMW (BMWG.DE): Takeaways from US Capital Market Event: Constructive US outlook, all-new X5 and Spartanburg localisation ; Buy **-** Christian Frenes highlights BMW reinforced US growth as an offset to China weakness. The tone was constructive on the US given product launches, toured pilot efforts of humanoid and embedding AI in customer / dealer support.

BSTL

A.P. Moeller-Maersk (MAERSKb.CO): FY26 guidance raised; Neutral (*see upgrade note above*)

Consumer

Associated British Foods (ABF.L): Primark LFL decline continues, with a step-up in Sugar losses; TP remains 1,675p, Sell rated; Sell

J Sainsbury (SBRY.L): Solid 1Q in grocery and Argos, albeit 2H outlook challenging in our view; PT to 325p, Sell

TMT

flatexDEGIRO SE (FTKn.DE): FY26 guidance raised, 2027 targets achieved one year ahead ; Buy (on CL)

Prosus (Neutral) /Naspers (Neutral): FY26 First Take: Stronger-than-expected revenue/EBITDA/EBIT; Neutral **/** remain cautious post FY26 reporting; Neutral

Events including M&A

Vonovia (VNAn.DE): German government outlines plans to pass a law making socialisation a federal, rather than local, responsibility, Buy (on CL) - Jonathan Kownator highlights the removal of a key overhang risk as the German government outlined law preventing nationalisation of private housing companies through socialisation laws at the state level, 56% discount to 2026 NTA.

BT Group (BT.L): Deal to combine international B2B with Verizon a modest strategic positive; Buy (on CL)

Natwest Group (NWG.L): Completes acquisition of Evelyn Partners; Neutral

Zalando SE (ZALG.DE): First Take: BaFin launches review into note to the financial statements relating to the acquisition of ABOUT YOU shares; Buy

Bureau Veritas (BVI.PA): Announces negotiations for divestment of oil/coal testing businesses for EV €470m; Buy

Fortum OYJ (FORTUM.HE): To acquire Elmera; Sell

Castellum (CAST.ST): SEK 5bn divestment of office properties in Stockholm to Alecta Fastigheter at c.12% premium to book value; Neutral

Galderma (GALD.S): Relfydess receives another CRL in the US, further delaying regulatory approval; Buy

Other Macro

GOAL Kickstart: Commodity correction - tracking performance and option pricing

GOAL Positioning: More signs of levered US exceptionalism positioning **-** Christian Mueller-Glissmann notes his RAI has moderated from extremes, asset management positioning remains elevated and HF leverage has eased. Revival in US fund flows closely ties to AI, with investors increasingly deploying leverage to participate in the equity rally.

ECB—Takeaways from Sintra **-** Alexandre Stott notes the annual ECB Forum dovish commentary was consistent with his view of a September Hike. **See also: Europe:** ECB—Hike or Hold? Highlighting sufficient data for a September hike

Germany: A Step (But Not A Leap) Forward on Reforms

USA: Payroll Growth Below Expectations; Unemployment Rate Declines Along With Labor Force Participation

USA: Supreme Court Ruling Supports Fed Independence but Further Challenges Likely

US Macroscope: Decomposing recent Russell 2000 outperformance and the second-half outlook for small caps

C-Suite Conversations: The potential impact of a change to semiannual reporting in the US

Other Global

GS SUSTAIN: Reliability & Adaptation: Heat waves could further amplify HVAC demand - Brian Singer notes heat waves could further amplify HVAC demand. **Listen to feedback from HVAC conf from 13:04** in our recent podcast **here.**

GS SUSTAIN: Notes From the Road: Sustainability discussions remain focused on Reliability & Resilience

US Airlines: Raising outlook on stronger revenue trends and lower fuel; downgrade SKYW to Neutral

Americas Telecom Services: Cable & Wireline 2Q26E preview: Increased focus on ARPU given recent retention pricing

US Software: At the edge of the developer ecosystem: Observations in & around Vercel Ship (NET, DOCN, SHOP, OKTA, CRM)

PayPal Holdings (PYPL): Upcoming segment modeling to improve transparency, but we see limited upside from an SOTP perspective

South Korea Tech: Memory Pricing Tracker: June 2026: 3Q26 DRAM ASP forecast inline with GSe, but NAND ASP forecast lower

MiniMax Group (0100.HK): NDR highlights & positive read-across from DeepSeek V4 peak-hour price hike; Buy

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Reg AC

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