US Conviction List - Directors' Cut

June 2025 - Two Years On

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CL

We add Capital One Financial (COF), Mid-American Apartment Communities (MAA), Universal Display (OLED) and OneStream (OS) to the US Conviction List, while removing Belden (BDC), Burlington Stores Inc. (BURL), and S&P Global (SPGI). In this, our two year anniversary edition, we provide new insights into performance; reflect on our stock selection process; provide lessons learned; highlight the catalysts, questions, and themes we are monitoring to find the alpha path forward; and, as always, provide brief write-ups of all the names currently on the list.

Exhibit 1: Conviction List - Directors' Cut June Update
All price targets are 12-months; Prices are as of 5/30; green indicates new

Ticker	Company	Mkt Cap ($bn)	Price	Price Tgt	% upside	GS vs. Cons* ** FY2	Street % Buy
Consumer							
PM	Philip Morris International	281.1	$181	$190	5%	2%	68%
Financials							
BAC	Bank Of America Corp	332.4	$44	$46	4%	0%	83%
COF	Capital One Financial Corp	121.0	$189	$242	28%		74%
HLI	Houlihan Lokey Inc	12.2	$175	$207	19%	-3%	38%
MAA	Mid-America Apartment Comm	18.3	$157	$192	23%	1%	48%
RJF	Raymond James Financial Inc	29.7	$147	$173	18%	5%	29%
Healthcare							
ALNY	Alnylam Pharmaceuticals Inc	39.7	$305	$378	24%		73%
BAX	Baxter International Inc	15.7	$31	$39	28%	1%	35%
INSM	Insmed Inc	12.7	$70	$100	43%	6%	100%
JNJ	Johnson & Johnson	373.4	$155	$176	13%	1%	54%
Industrial							
AL	Air Lease Corp	6.4	$58	$69	20%	2%	86%
DE	Deere & Co	137.1	$506	$610	20%	7%	44%
GEV	GE Vernova Inc	129.1	$473	$500	6%	6%	73%
WWD	Woodward Inc	12.9	$216	$229	6%	4%	33%
Natural Resources							
KGS	Kodiak Gas Services Inc	3.1	$35	$44	25%	1%	83%
OLED	Universal Display Corp	6.8	$143	$183	28%	4%	70%
VNOM	Viper Energy Inc	11.5	$40	$56	41%	31%	100%
TMT							
NET	Cloudflare Inc - Class A	57.5	$166	$172	4%	6%	57%
OS	Onestream Inc	6.7	$28	$33	18%	1%	90%
PINS	Pinterest Inc- Class A	21.0	$31	$42	35%	3%	78%
SNOW	Snowflake Inc	68.6	$206	$230	12%	1%	77%
T	AT&T	200.0	$28	$31	12%	0%	70%
UBER	Uber Technologies Inc	176.0	$84	$110	31%	1%	77%

***EPS**:AL,ALNY,BAC,BAX,COF,DE,HLI,JNJ,PINS,PM,RJF,VNOM;**FFO**:MAA;**EBITDA**:GEV,KGS,NET,OLED,SNOW,T,UBER,WWD;**Rev**:INSM,OS

**Excludes ALNY GS vs Cons comparison for this period due to inconsistent consensus information & COF due to lack of comparability due to merger

Source: Goldman Sachs Global Investment Research, Bloomberg

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For **COF**, the big bank and credit card issuer completed a merger with DFS on May-18 that has the potential to drive substantial earnings accretion for the combined bank and unlock a multi-year capital return strategy (~14% of current market cap) that Ryan Nash believes will be among the most attractive in the Financial Services sector. In addition to cost-cutting, COF has the potential to move customers from third-party networks to its now wholly-owned Discover network.

For **MAA**, the apartment REIT is well positioned to benefit from ongoing US internal migration to sunbelt states (including TX, NC, and FL) at the same time as the post-pandemic apartment building surge appears to have peaked and is now receding. Evidence of a positive upturn in rental fees is starting to emerge. And Julien Blouin looks for demand to outpace supply in sunbelt markets in 2025 allowing for improved pricing power.

For **OLED**, the maker of organic light emitting diodes (also known as OLED), materials used in electronic displays (think: TV's, smartphones, and laptops) is poised to introduce a new material — blue — that will allow its customers to build displays that use less energy and thus extend battery life for devices like smartphones and tablets where this feature is highly desired by consumers and OEMs alike. Brian Lee sees a path to a steep and sustained revenue growth ramp as OLED should enjoy pricing power for a product that offers customers significant benefits.

For **OS**, the developer of business software to help CFOs and broader Finance organizations modernize their operations through more effectively leveraging core finance and operational data, Adam Hotchkiss sees an opportunity from a recent platform innovation to reaccelerate growth off trough levels. Management has recently addressed barriers to customer adoption and expansion of its software products, including providing ready-to-use solutions, products that allow more flexible configuration and products that enhance the user experience — all of which appear to be gaining customer traction.

Directors' Cut - Two Years On

Conviction List - Directors' Cut is now two years old, having launched on June 1, 2023. The objective then, as it is now, was to provide investors with a curated list of the highest conviction and most differentiated fundamental Buy ratings from our US stock coverage.

As we did a year ago, we provide insight into our stock picking process (how it's evolved), review performance (we introduce new metrics often requested by investors) and reflect on what we learned this past year as we continuously tweak our process with the goal of improving outcomes. Further on in the report, we lay out the 5 catalysts, 7 questions, and 5 themes that we are monitoring as we continue to seek out alpha across the US equity investment universe. And this month, we also provide write-ups of the thesis for each stock currently on the list.

The last 12 months was markedly different from the first 12 months of this list. Volatility returned to the markets as election uncertainty led to policy uncertainty. Market concentration in large tech companies retreated as the AI trade unwound and the other '493' played a bit of catch up, only to reverse on the back of stronger than expected Q1Q25 earnings, continued corporate investment into some of the biggest themes driving the market (e.g. AI) and a consumer that has held up well.

As we discuss within, performance (as measured by our primary metric - hit rate) since inception remains above 50% relative to three of the four benchmarks we measure; and each show better trailing twelve-month results, with the S&P 500 index being the only benchmark where we sit slightly below that line both on YTD and TTM basis. This a function of market concentration and lack of exposure on this list to the S&P 500's biggest stocks. For the first time we provide a 'portfolio performance' metric that is often asked for by clients, despite our efforts to explain this product as a list and not a portfolio. That metric shows outperformance across all benchmarks since inception and in the trailing twelve-month period.

Our process continues to evolve

Oversight of the list rests with a subcommittee of our Investment Review Committee — a team of senior research managers who source top ideas from each sector analyst but own the decision to add or remove a name from the list. The list is updated at least once a month in a published note.

As highlighted in each summary write-up, the committee seeks to identify investment views with high conviction, unique points of differentiation, a visible catalyst path and high risk-adjusted return potential. Our goal has been to remain disciplined around our stock selection process, while limiting the list to between 20-25 Buy recommendations and inviting the "competition for capital" among our analysts that many investors have to contemplate.

During the past twelve months, this active discipline has served us well — helping us avoid drawdowns in some names after stated catalysts had passed or market views had become more closely aligned with that of our analyst. But lessons were also learned, as in other instances we would have been better served rotating out of names sooner. As with any investment process we continue to hone our approach, learning from what we got wrong while trying to mimic what we got right.

A Look At Performance and What We Learned

Hit rate

Our preferred method of tracking performance has been "hit rate" – a simple measure that calculates the percentage of stocks that have outperformed the stated benchmark during their time on the list. These hit rates are presented in Exhibit 2.

The construction of Directors' Cut is sourced from the bottom-up fundamental work of our covering analysts. That is to say we don't consider top-down factors or sector skews like many of our readers do (this is a list, not a portfolio). Over the last 12 months, the hit rate of stocks outperforming the stated benchmarks improved. As was the case in the first year of this list, outperforming the S&P 500 remained a challenge owing to market concentration and more limited representation in large cap tech - only 48% of stocks on the list in the last 12 months outperformed the SPX. However, the stock picking relative to each of the remaining benchmarks - S&P 500 equal weight, GIC sector and GS Americas coverage - all did better.

Exhibit 2: Conviction List - Directors' Cut Hit Rate
Percentage of stocks that have outperformed the stated benchmark; life-to-date and trailing-twelve-months

Conviction List hit rate (n = 83 LTD; n=58 TTM)		
Relative to:	**LTD**	**TTM**
S&P 500	47%	48%
S&P 500 Equal Weight	52%	55%
GICS Sector	55%	60%
GS Americas Coverage	54%	59%

Source: Goldman Sachs Global Investment Research, Bloomberg

By GIC Sector

While we do not explicitly consider macro/beta/thematic views as we assemble the Conviction List, it is true that the analysts incorporate the influence of macro factors on their sectors as part of their individual investment process. This is to say that the representation of the list constituents by GIC sector level 1 (shown in Exhibit 3) and the resultant relative over- or underweight certain sectors, while organically driven, is not entirely coincidental. Rather, it is a reflection of the ideas generated by covering analysts which are indirectly influenced by the macro factors they incorporate. For example, the list seemingly benefited from an overweight in Financials over the past 12 and 24 months as this sector has been one of the strongest relative sectors to the SPX; while more negatively impacted by the exposures we had in Healthcare, the worst performing GIC sector (notably, our process yielded good outcomes with above 50% hit rate within the GIC sector).

Exhibit 3: Conviction List - Directors' Cut Hit Rate by GIC Sector

Percentage of stocks that have outperformed the stated benchmark; life-to-date and trailing-twelve-months

Sector	# of Stocks (83)	LTD Hit Rate Relative to SPX	SPX EW	Coverage	GICS Sector
Information Technology	14	50%	50%	50%	43%
Financials	13	69%	77%	85%	62%
Industrials	13	69%	77%	77%	77%
Consumer Discretionary	10	40%	50%	50%	50%
Health Care	10	20%	20%	20%	60%
Energy	7	29%	29%	43%	43%
Consumer Staples	5	40%	40%	40%	40%
Communication Services	4	25%	25%	25%	25%
Real Estate	3	100%	100%	100%	100%
Utilities	2	0%	50%	50%	50%
Materials	2	0%	0%	0%	50%

Sector	# of Stocks (58)	TTM Hit Rate Relative to SPX	SPX EW	Coverage	GICS Sector
Information Technology	10	70%	70%	70%	60%
Financials	9	56%	67%	78%	56%
Industrials	7	86%	100%	100%	100%
Consumer Discretionary	7	43%	57%	57%	57%
Health Care	7	14%	14%	14%	57%
Energy	5	20%	20%	40%	40%
Consumer Staples	5	40%	40%	40%	40%
Communication Services	3	33%	33%	33%	33%
Real Estate	2	100%	100%	100%	100%
Utilities	2	0%	50%	50%	50%
Materials	1	0%	0%	0%	100%

Source: Goldman Sachs Global Investment Research, Bloomberg

Directors' Cut is not managed as a portfolio, but what is the performance as if it was?

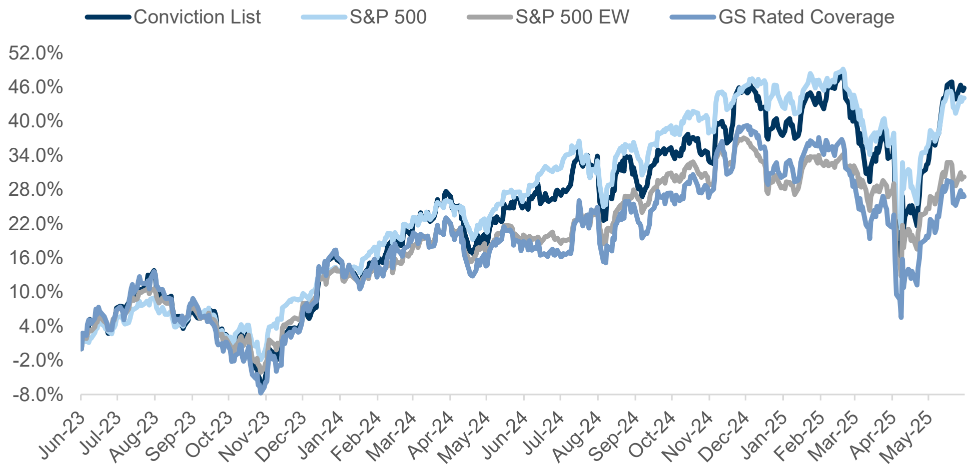
Among the most frequent questions we get from investors is the portfolio performance of Directors' Cut. Despite our efforts to explain to investors why they should not view this list as a portfolio (we don't overlay risk metrics like liquidity, volatility, factors, or size based on those variables; we don't intentionally take sector views; we only update the list once a month), there is still curiosity on the efficacy of list performance in the aggregate and outside our standard metric of individual stock hit rate.

Below we illustrate the Conviction List Directors' Cut performance as if the list was in fact treated as an equal weighted portfolio since inception. In this illustrative portfolio, performance is calculated on a USD total return basis; rebalanced to equal weight on a monthly basis (alongside CL publication). If constituents change due to intra-month removals, the weights of stocks that are removed get redistributed among the remaining stocks in proportion of their existing weights. Performance is calculated using the first closing price after addition to the Conviction List or after removal from the Conviction List mimicking the incurrence of transaction costs.

Using these parameters, Directors' Cut has returned +46% over its lifetime, outperforming the three benchmarks we track (SPX +180bps; SPX EW +1,560 bps; GS rated coverage +1,910 bps).

Exhibit 4: Conviction List - Directors' Cut

Performance, presented as a portfolio



Source: Goldman Sachs Global Investment Research, FactSet

Exhibit 5: Conviction List - Directors' Cut Performance, presented as a portfolio

			CL Relative to Benchmark	
Total Return Performance Summary	**Since Inception (Jun 1, 2023)**	**Trailing Twelve Months (TTM)**	**Since Inception (Jun 1, 2023)**	**Trailing Twelve Months (TTM)**
Conviction List	45.9%	16.0%	-	-
SPX	44.1%	13.5%	1.8%	2.5%
SPX Equal Weight	30.2%	8.5%	15.6%	7.5%
GS Rated Coverage	26.8%	6.6%	19.1%	9.4%

Source: Goldman Sachs Global Investment Research, FactSet

Idiosyncratic returns

We recognize a subset of investors focus on stock specific returns; they explicitly neutralize macro/sector/thematic exposures in their investment process. Our investment selection process is most focused on identifying stock-specific characteristics that we expect will result in positive idiosyncratic returns over time. To assess whether we are accomplishing this goal, we isolate and track "idiosyncratic" returns for each name on the list by adjusting for their normal relationship with various market/style factors from the stock's performance. We update this analysis in Exhibits 6 & 7. Of the 83 names that have been included on the US Conviction List since inception, 45 (54%) showed idiosyncratic outperformance (alpha) relative to the idiosyncratic performance of our Americas coverage.

Exhibit 6: Estimating idiosyncratic returns for Conviction List stocks - Active List as of 5/31/25

Average daily return in excess of returns explained by macro/style factors relative to the Americas coverage for the business days on the US Conviction List

	Average daily idiosyncratic return	Total idiosyncratic return	# of business days on list
NET	**0.56%**	24.2%	41
GEV	**0.45%**	18.5%	41
JNJ	**0.36%**	6.3%	20
ALNY	**0.31%**	24.5%	81
UBER	**0.27%**	21.9%	101
SNOW	**0.22%**	41.3%	229
PM	**0.21%**	47.9%	207
AL	**0.15%**	19.1%	122
T	**0.13%**	4.4%	41
WWD	**0.11%**	20.9%	207
HLI	**0.09%**	0.6%	20
DE	**0.04%**	3.9%	62
INSM	**0.00%**	-3.4%	185
BAC	**-0.03%**	-3.2%	81
SPGI	**-0.03%**	-8.0%	207
BDC	**-0.03%**	-4.3%	101
BAX	**-0.05%**	-4.6%	62
KGS	**-0.08%**	-3.2%	41
VNOM	**-0.08%**	-6.4%	62
PINS	**-0.09%**	-18.8%	165
BURL	**-0.09%**	-16.0%	122
RJF	**-0.12%**	-8.5%	81

Methodology: Each day for each Conviction List stock, we calculate the simultaneous betas of that stock relative to the SPX, R3000 Sector, Dividend stocks, Value, Growth, 10Y Treasuries and HY Credit over the trailing 3 years. Then we track the performance of the stock minus this beta-adjusted basket over the subsequent day to estimate the stock specific return for that day. We then subtract the average stock specific return for the Americas Coverage to determine the idiosyncratic outperformance of each Conviction List stock.

Source: Goldman Sachs Global Investment Research

Exhibit 7: Estimating idiosyncratic returns for Conviction List stocks - No longer on the Conviction List as of 5/31/25

Average daily return in excess of returns explained by macro/style factors relative to the Americas coverage for the business days on the US Conviction List

	Average daily idiosyncratic return	Total idiosyncratic return	# of business days on list
GWRE	**0.34%**	35.6%	105
BKR	**0.29%**	11.9%	41
RCL	**0.22%**	22.5%	107
SKT	**0.22%**	11.5%	52
FOXA	**0.20%**	27.2%	128
NVDA	**0.19%**	81.3%	345
KMI	**0.18%**	24.7%	128
GLBE	**0.16%**	11.5%	107
IBM	**0.15%**	21.3%	144
BA	**0.15%**	6.3%	41
CTAS	**0.15%**	19.0%	124
OWL	**0.15%**	31.3%	208
RSG	**0.13%**	21.9%	168
TPG	**0.13%**	23.1%	191
VRTX	**0.13%**	23.6%	188
MRK	**0.11%**	21.2%	188
SPG	**0.11%**	14.5%	146
JEF	**0.10%**	23.1%	228
TGT	**0.09%**	5.0%	84
FSLR	**0.08%**	7.3%	252
PH	**0.07%**	17.0%	252
JPM	**0.06%**	9.3%	168
MNDY	**0.05%**	2.0%	83
AIG	**0.04%**	6.5%	147
BRX	**0.04%**	7.9%	207
BBWI	**0.04%**	5.4%	147
C	**0.03%**	4.0%	211
SO	**0.03%**	6.8%	231
IBP	**0.02%**	-0.7%	147
AMZN	**0.02%**	6.3%	335
TXT	**0.02%**	0.4%	146
ALLY	**0.01%**	-0.7%	147
AMGN	**0.01%**	-2.7%	190
TEL	**0.00%**	-0.4%	208
CVX	**-0.01%**	-1.1%	167
SU	**-0.01%**	-1.8%	80
VMC	**-0.02%**	-5.4%	231
FOUR	**-0.03%**	-4.4%	147
HCA	**-0.05%**	-5.4%	106
STZ	**-0.05%**	-9.0%	166
AAPL	**-0.06%**	-11.6%	188
PPG	**-0.07%**	-15.2%	230
WBD	**-0.07%**	-8.5%	127
SRE	**-0.07%**	-15.4%	183
JBHT	**-0.08%**	-17.3%	230
CRM	**-0.08%**	-6.6%	84
ENPH	**-0.09%**	-8.2%	106
CAG	**-0.09%**	-9.9%	104
SLB	**-0.13%**	-17.9%	150
JCI	**-0.15%**	-13.0%	84
OKTA	**-0.17%**	-14.5%	84
TER	**-0.21%**	-33.2%	177
MTH	**-0.27%**	-30.4%	122
WW	**-0.29%**	-49.0%	168
NCLH	**-0.30%**	-19.1%	60
EVR	**-0.33%**	-30.0%	101
QTRX	**-0.46%**	-61.4%	187
SPR	**-0.74%**	-31.8%	43
M	**-0.79%**	-19.0%	24
EW	**-0.86%**	-33.0%	41
DG	**-1.60%**	-34.0%	22

Methodology: Each day for each Conviction List stock, we calculate the simultaneous betas of that stock relative to the SPX, R3000 Sector, Dividend stocks, Value, Growth, 10Y Treasuries and HY Credit over the trailing 3 years. Then we track the performance of the stock minus this beta-adjusted basket over the subsequent day to estimate the stock specific return for that day. We then subtract the average stock specific return for the Americas Coverage to determine the idiosyncratic outperformance of each Conviction List stock.

Source: Goldman Sachs Global Investment Research

What we learned

1. Sticking with winners helped overall alpha; we should have cut losses sooner. This is one of the harder disciplines to maintain, as one may opt to book profits when stocks do well and succumb to thesis drift when a catalyst breaks the wrong way. We attempt to mitigate these behaviors and hold ourselves accountable as we see the analysts thesis play out in the numbers.

Back in August of 2014, we published a report that discussed common behavioral biases that can exist in one's investment process ("Mind your Alpha: Case Studies of Behavioral Biases"). One of which, was the market's tendency to fade their modeling of companies that have exhibited peer leading growth — expressing a view that the relative strength of the past cannot last. We used sales growth as the catalyst metric on which we based our analysis. The conclusion: there is a high persistence rate for companies that beat consensus expectations on revenues in a given year that suggests they will beat again in the subsequent years.

This bias can be measured in shorter time periods and with a different key performance indicator (KPI). In this case, we ran a similar analysis on the 81 Directors' Cut stocks we had on the list for at least one earnings report. Here are our takeaways.

- **Our analysts have been good at picking fundamental earnings winners** as 80% (65 stocks) beat consensus EPS estimates in the 1st quarter they reported after being added to the list.
- **Those stocks outperformed**. Those 65 stocks on average outperformed the S&P 500 by 50bps in the 6-day period of -3/+3 days around earnings, with 54% of the stocks outperforming the index.
- **It paid to hold winners.** Of the 65 stocks that beat earnings in that first quarter, 47 remained on the list three months later for another quarter of earnings reports (their 2nd; and another 8 current CL ideas have yet to report their 2nd quarter of earnings). 38 of them (81%) beat consensus EPS for a 2nd time. These stocks, that beat again, on average outperformed the S&P 500 by 360 bps during the -3/+3 day window with 71% of them outperforming the index.
- **And again.** Of the 38 that beat for a 2nd time, 22 remained on the CL for a 3rd quarter of earnings (3 current CL ideas have yet to report their 3rd quarter earnings). 20 of these stocks (or 91%) beat consensus again and, on average, generated another 150 bps of alpha vs the S&P 500 in that same 6-day window.

Exhibit 8: Persistence of beats
Stocks on the CL that beat estimates in their first quarter after being added to the list, tend to keep beating and generating alpha

Persistence of Beats

1st quarter of earnings after being added to CL				
Stocks Considered (1)	Number of Beats	% of Beats	Average Relative Perf (vs. SPX) for Beats	% of Beats that Outperformed SPX
81	65	80%	0.50%	54%

2nd quarter analysis of 1st quarter beats				
Reported a 2Q (2)	Number of Beats	% of Beats	Average Relative Perf (vs. SPX) for Beats	% of Beats that Outperformed SPX
47	38	81%	3.61%	71%

3rd quarter analysis of 1st & 2nd quarter beats				
Reported a 3Q (3)	Number of Beats	% of Beats	Average Relative Perf (vs. SPX) for Beats	% of Beats that Outperformed SPX
22	20	91%	1.50%	55%

(1) 81 out of 83 stocks on the CL reported the 1st quarter of earnings after being added to CL
(2) Of the 65 that beat 47 reported a 2nd quarter; 8 are yet to report; and 10 were removed
(3) Of the 38 that beat 22 reported a 3rd quarter; 3 are yet to report; and 13 were removed

Source: Goldman Sachs Global Investment Research, FactSet

- **We should have cut losses sooner.** 16 stocks missed EPS in their first quarter while on the list losing, on average, 337 bps of relative performance in the -3/+3 days around that event. We only removed 2 of those stocks. 11 of the remaining 14 reported a 2nd quarter, and 7 of them missed again, diluting list performance by 351 bps on average in that same 6-day window. While we try to be disciplined and each case presents different fact patterns, this analysis acts as a good reminder that there is often persistency and consistency in reporting trends.

2. It pays to be different ... and right. For the last two years we have presented this list as a curation of our best 20-25 Buy recommendations that offer a combination of conviction, differentiation and attractive risk/reward. There are many ways for an investment thesis to be differentiated — upside to key KPIs and/or earnings, a more near-term opinion of a new product cycle or industry cycle or even a view around a return on incremental investments. One metric we do focus on is the percentage of Buy ratings the sell-side community has on names we add to the list — we show this metric on the front page of every monthly report we publish. The truth is that consensus is often right and generating alpha while in consensus is a difficult task, so we look for alpha in the names where we have conviction that many of our peers do not (and presumably, the market does not either).

Of the 61 stocks that have been added and removed from the list over the past two years, 23, or 38%, of them had sell side "Buy" recommendations of 50% or less from the Street analysts that cover them. Those investment ideas have yielded some of the best returns - with the median name outperforming the S&P 500 by 1.9%, the S&P equal weighted index by 6.4%, our Americas coverage by 8.1% and the individual stock's GIC sector by 3.9% while on the list. The corresponding hit rates against these benchmarks are 52%, 61%, 65% and 61% respectively.

Exhibit 9: Performance of stocks with 50% or less Sell Side Buy rated stocks

Relative to:	Median Return	Hit Rate
S&P 500	1.9%	52%
S&P 500 EW	6.4%	61%
Americas Coverage	8.1%	65%
GIC Sector	3.9%	61%

Source: Goldman Sachs Global Investment Research, Bloomberg

3. Respect what the market is telling you — a word on market concentration | SMID focus. We spent the better part of the last twelve months highlighting the small and mid cap opportunities within our list as we looked for broader market participation away from just the Mag 7 stocks. Over the last year, 45% (26 of 58) of our list had market caps less than $20 billion when added. Our conversion to alpha on those names (as measured by hit rate) was 48% vs the SPX and 55% vs the SPX - EW, dilutive to the overall performance cited above but directionally consistent with the underperformance of the Russell 2000, which has returned +1.2% compared with +13.5% for S&P 500 during that time period. Questions around the sustainability of economic growth and the rise in rates on the back of tariff announcements has most recently put what could otherwise be good idiosyncratic fundamental stories on the back burner. But also year to date, performance of the S&P 500 has almost been exactly equal to that of the S&P500 Equal Weighted index, suggesting that the performance of smaller cap names in the index, at least, are holding their own. The Russell 2000 index is still lagging far behind, however (down 7%+ ytd). Overall, we continue to assess stock ideas for the Conviction List based on their bottoms-up merits and do not overlay factor considerations such as size.

4. Beta to the market is a good long-term guide, but less helpful near-term. The average beta for the names on the list in each monthly publication has been in a tight range of 1.0-1.1. While readers of this report use much more sophisticated risk management tools, we monitor beta as a high level look at exposure relative to market. It has proven to be a good long-term guide as our life-to-date performance relative to the SPX has hovered around flat (if measured as a portfolio) and our hit rate has similarly been around 50%. However, we were reminded during the market drawdown in April and the subsequent recovery in May how unhelpful this longer-term tool is in assessing near-term volatility in the list construction as exposures and positioning are bigger drivers of performance. We noticed a much more pro-cyclical bent to the list than what was intended, which seemed to help the list when cyclical risk was in favor, but hurt performance when it wasn't.

5. Good companies with good market share in a good theme often work...until

they don't. Last year we cited the first part of this sentence as a lesson learned. We discussed NVDA and OWL as two names that generated significant alpha given their strong positions in big market themes (AI and private credit). We ended that blurb by saying 'perhaps the hardest part for names like these is when to take gains'. We were guilty of staying in some names too long that had more of a thematic bent, including NVDA which stalled out towards the end of its life on the list and IBP, an insulation installer that had positive leverage to new home construction, but then underperformed when higher-for-longer rates caused investors to shy away from many housing exposed names. But while we have over-stayed our welcome over the past year on a few stocks that had strong themes as tailwinds, we have also generated strong returns again with good companies with good market share and good themes. In fact, on the current list, some of the stocks with the longest tenure have secular growth themes that have generated sustained outperformance, including PM, SNOW, and WWD which have generated cumulative idiosyncratic returns of 47.8%, 41.1%, and 21.2%, respectively.

List duration

The average duration of a name on the list (holding period per se) has been ~6.5 months at the end of the second year of this list, up slightly from the ~6 months after year 1. We don't have a targeted turnover/holding period, but expect this will remain fluid as we keep this list fresh as catalysts pass and new differentiated ideas emerge.

Exhibit 10: List duration as of 5/31/25

Average duration of stocks on Americas Conviction List				
	Days	Names	Avg Days	Months
Active	3,331	22	151	5.0
Removed	13,048	61	214	7.0
Sum	16,379	83	197	**6.5**

Source: Goldman Sachs Global Investment Research

History of Conviction List names in the past year

Exhibit 11: Conviction List Trailing Twelve Month Constituent History

CL Removals -		Removed	Days on List	Total Return	Relative to SPX	Relative to SPX EW	Relative to Cvg	Relative to GIC
MNDY	Monday.com	7/1/2024	119	8.0%	0.3%	6.2%	9.7%	-1.7%
QTRX	Quanterix	7/1/2024	270	-51.3%	-80.1%	-68.9%	-67.3%	-66.0%
JEF	Jefferies Financial Group In	8/1/2024	330	64.6%	40.7%	48.5%	49.8%	36.3%
TXT	Textron Inc	8/1/2024	211	15.6%	-1.1%	5.8%	8.0%	2.7%
STZ	Constellation Brands Inc-A	8/1/2024	243	2.7%	-19.3%	-14.6%	-16.9%	-9.9%
EW	Edwards Lifesciences Corp	8/1/2024	58	-27.4%	-32.3%	-31.4%	-32.5%	-32.0%
ALLY	Ally Financial Inc.	9/3/2024	214	19.5%	1.9%	6.0%	8.1%	0.5%
DG	Dollar General Corp.	9/3/2024	32	-31.1%	-33.5%	-33.6%	-31.5%	-37.1%
IBP	Installed Building Products Inc.	9/3/2024	214	15.2%	-2.3%	1.7%	3.8%	5.2%
RCL	Royal Caribbean Cruises Ltd.	9/3/2024	154	18.4%	10.3%	14.1%	16.5%	16.4%
AMZN	Amazon.Com Inc	10/1/2024	487	54.5%	13.9%	22.6%	25.9%	20.8%
GWRE	Guidewire Software Inc	10/1/2024	152	65.7%	50.6%	53.5%	54.5%	50.3%
ENPH	Enphase Energy Inc	11/1/2024	150	-35.1%	-43.8%	-42.4%	-41.6%	-41.2%
KMI	Kinder Morgan Inc	11/1/2024	183	37.5%	23.4%	27.1%	27.0%	41.2%
SLB	SLB	11/1/2024	213	-25.9%	-35.4%	-30.9%	-28.8%	-21.3%
GLBE	Global-E Online Ltd	12/2/2024	151	44.1%	33.1%	29.4%	25.6%	22.0%
AMGN	Amgen Inc	12/2/2024	273	5.6%	-14.0%	-11.1%	-10.8%	2.7%
FOXA	Fox Corp - Class A	1/2/2025	184	42.3%	33.8%	34.7%	31.2%	28.6%
PH	Parker Hannifin Corp	1/2/2025	365	39.6%	14.6%	26.6%	27.4%	22.3%
TPG	TPG Inc	1/2/2025	275	44.0%	30.9%	39.3%	38.1%	27.9%
CAG	Conagra	2/3/2025	150	-14.9%	-22.4%	-18.8%	-23.1%	-11.8%
C	Citigroup	2/3/2025	305	32.3%	16.1%	23.9%	22.0%	8.6%
VMC	Vulcan Materials	2/3/2025	336	3.9%	-16.1%	-9.4%	-9.8%	0.6%
NVDA	Nvidia	2/14/2025	504	219.3%	173.9%	188.6%	185.0%	171.6%
TER	Teradyne	2/14/2025	259	-19.4%	-36.3%	-30.1%	-33.7%	-34.2%
SRE	Sempra	2/26/2025	267	-6.2%	-20.2%	-16.4%	-16.0%	-18.0%
SU	Suncore Energy	3/3/2025	119	2.4%	-2.4%	-0.2%	0.1%	-1.2%
IBM	IBM	4/1/2025	209	24.8%	24.7%	25.0%	28.0%	30.6%
NCLH	Norwegian Cruise Lines	4/1/2025	88	-26.3%	-22.0%	-25.7%	-19.5%	-14.6%
BRX	Brixmore Properties	4/1/2025	301	21.8%	14.3%	15.4%	19.7%	8.1%
EVR	Evercore	4/1/2025	150	-23.9%	-22.9%	-23.1%	-19.8%	-32.0%
MTH	Meritage Homes Corp	5/1/2025	180	-24.0%	-22.2%	-20.9%	-18.4%	-24.6%
BDC	Belden Inc	6/2/2025	149	-6.1%	-6.7%	-7.0%	-2.9%	-5.1%
BURL	Burlington Stores Inc	6/2/2025	180	-19.0%	-17.7%	-14.0%	-10.2%	-15.6%
SPGI	S&P Global Inc	6/2/2025	303	6.6%	-1.7%	2.3%	5.1%	-11.3%

CL Active Names		Added	Days on List	Total Return	Relative to SPX	Relative to SPX EW	Relative to Cvg	Relative to GIC
NET	Cloudflare Inc - Class A	4/1/2025	60	47.2%	41.6%	45.2%	42.8%	35.4%
SNOW	Snowflake Inc-Class A	7/1/2024	334	52.2%	42.7%	43.3%	44.2%	49.7%
GEV	GE Vernova Inc	4/1/2025	60	55.1%	49.5%	53.1%	50.6%	46.1%
AL	Air Lease Corp	12/2/2024	180	14.2%	15.6%	19.2%	23.0%	14.2%
PINS	Pinterest Inc- Class A	10/1/2024	242	-3.9%	-7.4%	-3.3%	-3.4%	-16.7%
ALNY	Alnylam Pharmaceuticals Inc	2/3/2025	117	12.3%	13.9%	14.3%	18.9%	21.6%
WWD	Woodward Inc	8/1/2024	303	39.5%	31.2%	35.2%	38.0%	26.5%
BAC	Bank Of America Corp	2/3/2025	117	-4.1%	-2.4%	-2.0%	2.5%	-3.4%
DE	Deere & Co	3/3/2025	89	5.7%	6.0%	7.2%	7.8%	0.6%
HLI	Houlihan Lokey Inc	5/1/2025	30	7.8%	1.5%	3.4%	1.7%	3.3%
RJF	Raymond James Financial Inc	2/3/2025	117	-12.4%	-10.8%	-10.4%	-5.8%	-11.8%
PM	Philip Morris International	8/1/2024	303	61.8%	53.5%	57.4%	60.3%	53.4%
KGS	Kodiak Gas Services Inc	4/1/2025	60	-4.1%	-9.7%	-6.1%	-8.5%	8.6%
UBER	Uber Technologies Inc	1/2/2025	149	39.5%	38.5%	38.2%	42.2%	30.8%
BDC	Belden Inc	1/2/2025	149	-5.6%	-6.7%	-7.0%	-2.9%	-5.1%
SPGI	S&P Global Inc	8/1/2024	303	6.6%	-1.7%	2.3%	5.1%	-11.3%
BURL	Burlington Stores Inc	12/2/2024	180	-19.0%	-17.7%	-14.0%	-10.2%	-15.6%
T	AT&T	4/1/2025	60	-0.7%	-6.2%	-2.6%	-5.1%	-5.8%
JNJ	Johnson & Johnson	5/1/2025	30	0.1%	-6.1%	-4.2%	-5.9%	5.7%
VNOM	Viper Energy Inc	3/3/2025	89	-12.3%	-11.9%	-10.8%	-10.2%	-2.6%
BAX	Baxter International Inc	3/3/2025	89	-11.1%	-10.8%	-9.6%	-9.0%	-0.5%
INSM	Insmed Inc	9/3/2024	270	-8.8%	-14.5%	-10.6%	-9.9%	5.8%

Source: Goldman Sachs Global Investment Research, Bloomberg

575 - Catalysts, Questions, & Themes

The 'wall of worry' for investors this year in some ways has rarely been higher than right now, complete with the potential end of US exceptionalism, the biggest US trade war in 100 years, and a White House policy cadence that is very difficult to predict. But as with most 'walls of worry' this one has, so far, been meant to be climbed. And in May, despite another onslaught of uncertainty, markets have climbed a little bit further.

Against this backdrop, we highlight 5 catalysts we are now watching and refresh our views on the 7 questions we asked back in January when we started the year, as well as the 5 themes we highlighted back then.

5 catalysts

Alongside climbing the wall of worry, May has been a month of 'consolidation' — a time to contemplate the next move following the sharp rebound we saw in April. As we peer into the summer, there is an important list of catalysts that are likely to impact investor sentiment and positioning, market valuations, and maybe even consumer spending and corporate earnings. Here are five things we are watching most intently.

- **employment**. The hard data (measures of actual activity like industrial production, retail sales, non-farm payrolls growth, etc.) has yet to turn negative even as we have cut our 2025 GDP growth forecast to 1.0% from 2.5% at the start of the year (see our economists' May-28 "US Economics Analyst" and the May-30 update, "USA: Personal Income Rises; Goods Trade Deficit Narrows Sharply; Boosting Q2 GDP Tracking to +3.3% on Tariff-Related Distortions" for our latest economic projections). Payrolls data is the first major hard data to get released each month and our next update on employment comes on Jun-6. And already, we are seeing evidence that the soft data (ISMs, consumer confidence) may have troughed. Last Friday, the University of Michigan Consumer Confidence survey index was revised UP by 1.4pts to 52.2 (see "USA: UMich Sentiment Revised Up; Inflation Expectations Revised Down"). If the hard data holds up long enough, the soft data may start turning definitively upwards before we ever get a downturn in activity, giving room for markets to look through a slowdown if it eventually materializes (see also Dominic Wilson and Kamakshya Trivedi's May-20 note, "Smaller Tails Widen Some Paths, Narrow Others").
- **the budget bill**. The US House of Representatives passed a budget bill in May that has the potential to raise the Federal deficit as Alec Phillips detailed in a note published prior to the passage of the final bill, "A Slightly Larger Tax Cut Still Won't Offset the Drag From Tariffs." As the fiscal bill makes its way through Congress (it still needs to be passed by the Senate and then be reconciled), eroding US exceptionalism is proving (literally) costly at a time of large funding needs (see Wilson's note above). Most likely timing for a final bill: early August.
- **trade negotiations**. Last week, the Court of International Trade blocked the tariffs the Trump administration imposed under the International Emergency Economic Powers Act (IEEPA) providing further substance to the notion that we may have

seen peak tariffs back on April 2nd (see Alec Phillips' May-28 note, "USA: Court Blocks Majority of Tariff Hikes"). And even before last week's court rulings, President Trump lowered the tariff on Chinese imports to 30% and on UK imports even further in another tangible sign that we may have already seen peak tariffs. But while last week's court ruling represents a setback for the administration's tariff plans and increases uncertainty, it might not change the final outcome for most major US trading partners. Why? The administration can still impose an across-the-board tariff and country-specific tariffs under other legal authorities (e.g., Sec. 122 and Sec. 301). And indeed, prior to the court ruling, on May 23rd, President Trump indicated that he will raise the tariff on EU imports to 50% if better progress is not made on trade negotiations soon, reminding markets that policy is fluid (and unpredictable) under the new Administration. See Giovanni Pierdomenico's May-19 note, "EU—What's the Deal With the Deal?" and May-28 note, "EU—New US Tariff Threats Point to Downside Risks Around Our Forecasts" for more on how things with Europe might play out; and Andrew Tilton and team's May-13 note "China: Raising GDP forecasts on larger-than-expected tariff rollbacks" for how the May deal impacted our China growth forecast.

- **2Q25 earnings**. 1Q25 results came in twice as good as expected on an earnings growth basis (see Ryan Hammond's May-2 update, "US Equity Views: Mid-season S&P 500 earnings update"). And over the course of May, we got strong results from a number of retail and apparel companies — TJX, RL, AS, GOOS — that also suggest the consumer has yet to pull back on spending. Was this a function of a pull forward in activity or just more of the post-pandemic echo-boom? With a hard stop on tariff-free imports (at least the tariffs that remain in place) having come no later than May-26, June quarter results will necessarily be impacted by tariffs. And Corporate America will have at least 2 months of data to gauge whether they can pass the cost on through higher prices or better buying from suppliers, or if they need to eat the cost and incur lower margins when they report 2Q results in July. 2Q25 earnings season should provide the first view into how much tariffs are impacting earnings (and potentially the broader economy).
- **AI.** We are still awaiting a meaningful example of AI disrupting a current profit pool like we saw with the internet and mobility earlier this century. And DeepSeek's late-January revelation that it was able to create a robust large-language model on less compute power than most believed possible has caused some to question whether the AI investment surge is near a peek, and already starting to wind down. But Eric Sheridan highlighted how concerns about a spending slowdown have so far been overblown in the May-16 update, "10 Industry Themes for 2025 & Focus Stocks Going Forward (Mid-Year Update)." Still, 2025 is a year where stakes are rising for platforms to prove out the adoption, utility and use cases of their investments in AI as we are now in year three of an elevated Opex/Capex cycle — and investors are increasingly asking for proof points on the eventual return on investment. This interplay between levels of investment, visibility into a more distinct return profile and/or elements of rising utility-like behavior around such tools will likely remain dominant themes among the hyperscaler stocks this year.

From a markets perspective, the above catalysts will be critical to determining whether the S&P 500 can maintain its 22X P/E multiple and US long-dated yields can be kept from moving too high. Yields on 10-year Treasuries are going into June at 4.40%. A move higher could create a headwind both to economic growth and to market valuations.

On May-12, David Kostin raised our 2025e S&P 500 EPS estimate to $262 (+7% yoy) and our 12-month target for the index to 6500 in "US Equity Views: Lower tariffs lead to higher S&P 500 earnings and returns." We think that stocks can ultimately sustain these 90th percentile P/E valuations as earnings overcome the wall of worry. But already-optimistic market pricing of the economic growth outlook as well as uncertainty surrounding the magnitude of a potentially impending slowdown in economic and earnings growth will likely keep a ceiling on equity multiples during the next few months.

Separately, Dominic Wilson and Kamakshya Trivedi highlighted how the US still faces the worst growth-inflation mix of the major economies in the May-20 note, "Smaller Tails Widen Some Paths, Narrow Others." This leaves wider paths to a weaker Dollar and a steeper US Treasury curve (i.e., higher 10-year rates), which we expect will prove more enduring without a more serious attempt at fiscal restraint. A weaker dollar could mean that the US 'imports' even more inflation, and higher long-term rates may further delay a housing market recovery and potentially even other investment initiatives by both consumers and enterprises. See also Vickie Chang's May-29 update, "Shocks to the System—New US Risks Can Change Asset Correlations."

7 questions

Back on Jan-2, we published a note to kick off the new year, "US Conviction List - Directors' Cut — January 2025 Update: Top Themes for the Year Ahead." In the note, we posed 7 questions we found ourselves asking as we closed out a stellar year for stocks in 2024. Almost halfway through the year, here's where we stand on these questions:

1. **Can valuations go any higher?** Not yet. David Kostin highlighted how there may be at least a near-term ceiling on valuations while markets digest a sea of uncertainty in "US Equity Views: Lower tariffs lead to higher S&P 500 earnings and returns."
2. **Can earnings beat expectations?** Definitively yes. At least so far. 1Q25 EPS grew 12% yoy, twice the rate of consensus estimates as David Kostin laid out in the May-9 US Kickstart, "Maintaining our 2025 S&P 500 EPS forecast ($253, +3% growth) as forward risks offset strong 1Q 2025 results." But as Kostin highlights in the title, despite the big 1Q beat, full year 2025 EPS forecasts did not rise. In fact, after the mid-May tariff truce, Kostin did raise our FY25 S&P 500 EPS forecast to $262, but that is actually 2% *lower* than the $268 EPS forecast we had going into 2025. So actual earnings are beating expectations but earnings forecasts have so far come down.
3. **Will tariffs and immigration restrictions trigger inflation or curb growth?** Maybe. Our economics forecast calls for lower growth and higher inflation than we had going into the year (see Jan Hatzius and David Mericle's latest update from May-12, "Raising Our Growth Forecast and Lowering Our Recession Odds in the

Wake of a US-China Trade Deal"). We now forecast 1% Q4/Q4 GDP growth (down from 2.5% to start the year) and a 35% probability of a recession (up from 15% to start the year but down from a brief peak of 60% in April). We also forecast core PCE inflation to be 3.6% in 2025, up from 2.1% to start the year. As for ytd, 1Q25 GDP actually declined qoq, annualized as the tariff impulse triggered a wave of buying of foreign goods that detracted from domestically produced activity. But inflation has so far been benign. Core PCE inflation came in at a tepid +0.12% (mom) in April, up only 2.52% yoy (see "USA: Personal Income Rises; Goods Trade Deficit Narrows Sharply; Boosting Q2 GDP Tracking to +3.3% on Tariff-Related Distortions").

4. **Can the US grow in a world where Europe and China do not?** We may not be able to find out this cycle. That's because both Europe and China are seeing various tailwinds that we did not fully anticipate. Euro area growth is trending slower than we anticipated at the beginning of the year (down to 0.6% in Q4/Q4 2025 from 0.8%, previously, as it struggles with tariffs) but Germany is getting a boost from fiscal stimulus (see Jari Stehn's May-13 note, "US-China Trade Deal Points to Somewhat Higher Growth, Inflation and Rates Across Europe" and Nikolas Garnadt's May-22 note, "Germany—Risks of Slower Implementation of the Fiscal Package," for our latest views). And Hui Shan and team raised our 2025 China GDP growth forecast to 4.6% on the back of the trade truce in the May-13 note, "China: Raising GDP forecasts on larger-than-expected tariff rollbacks."
5. **Will AI infrastructure investment slow?** Not yet. Eric Sheridan highlighted how capex plans from hyperscalers remains robust in the May-16 Internet sector update, "10 Industry Themes for 2025 & Focus Stocks Going Forward (Mid-Year Update)." And Kash Rangan maintained his forecast of 19% capex growth for MSFT in a May-1 earnings postview, "MSFT: Strong execution and consistent demand signals despite broader macro uncertainty - F3Q25 Results."
6. **Will the Magnificent 7 stay magnificent?** Kostin thinks so. The largest stocks have lagged the rest of the market YTD, writes Kostin in the May-16 Kickstart, "Large-cap outperformance should continue amid below-trend economic growth and elevated rates." But we continue to expect that superior earnings growth will drive the Magnificent 7 to outperform the S&P 493 in 2025, albeit by a smaller magnitude than in recent years. Want to hedge? Ben Snider sat down with members of our Global Markets and Banking team to discuss the new X7 Index that captures the 493 stocks not in the Magnificent 7 in "Mag 7 vs the Other 493: How to Hedge Equity Exposure in the Age of AI."
7. **What will be the new theme?** Tariffs have dominated the conversation but it's not clear that tariffs are a theme given how policy-driven, uncertain, and presumably transitory they are likely to be. Nothing dominant on the innovation front has emerged yet, either, as we still await a killer AI app. But one theme that we are starting to pay more attention to is Robotaxis. Autonomous vehicles have the potential to significantly change the way people move around — and how far they can live from their place of work. Allen Chang and team dove deep into the potential for China's robotaxi market to reach $47bn of revenue over the next decade in "Global Robotaxi: China's Robotaxi market - the road to

commercialization." And we capture all of our research tied to this emerging theme in a dedicated portal page, "Autonomous driving."

5 themes

While we struggle to find new themes, we went into the year watching 5 themes, and we have seen developments across all of them.

1. **AI**. As we highlighted above, both Eric Sheridan and Kash Rangan remain constructive on the sustainability of the AI infrastructure build-out, even as we wait for evidence that such investment can generate strong returns. Also this year, DeepSeek announced that it had developed a LLM using far less compute power than many thought possible previously (see also Sheridan and Rangan's Jan-27 note, "Generative AI Part X: Examining the Landscape in the Face of Open-Sourced Model Performance").
2. **De-regulation, M&A + Capital Markets**. At the core of 'animal spirits' lies deregulation and deal activity. But a wave of uncertainty has so far suppressed the deal activity we expected to see coming into the year (see Alex Blostein's May-19 update "Capital Markets Dashboard: May check-in: Slower exchange volumes, Fixed Income flow strength, and weak sponsor-backed M&A volumes"). Most recently, however, announced volumes through the first half of May totaled $31bn, tracking for a healthy month — an encouraging green shoot, perhaps, of 'animal spirits' returning to the capital markets.
3. **Re-powering America**. Carly Davenport maintains our forecast for 2.4% annualized power demand growth as she detailed alongside her colleagues in the May-20 note, "Green Capex US trip: Bullish demand for power/water/energy reliability and efficiency solutions amid a push to scale." But the path to repowering is tilting away from classical renewables and a bit more towards fossil fuels and a surprise entrant: nuclear (see Brian Lee's "Solar: House GOP tax bill passed in the house with revisions impacting IRA tax credits" and "Nuclear: Trump is reported to sign nuclear executive order"). Brian Lee also dove deep into the nuclear power opportunity in a comprehensive May-19 report, "Nuclear: The Nuclear Playbook for Energy Transition."
4. **Deglobalization**. This is the theme that has been impacted most in 2025 as deglobalization shifted into overdrive amidst a full scale Trade War that reached its peak on Apr-2, Liberation Day (see Alec Phillips' Apr-2 note, "USA: President Trump Announces 'Reciprocal' Tariffs"). Tariff levels have since been brought down and the reciprocal tariffs were even struck down by at least one US court, but the path to deglobalization continues to be cleared (see Alec Phillips' May-28 update, "USA: Court Blocks Majority of Tariff Hikes, But White House Could Reinstate Them Following Appeal or Through Other Tariff Authorities"). And see our dedicated portal page, "Trade Policy" for all of the research tied to the trade war from around the world.
5. **A resilient consumer**. Given all that has happened, one might think the theme of the resilient US consumer would have left the building. But it has not. Instead consumers are still actively buying goods and services everywhere. Our real time

tracker of retail activity, the GS/TRE Raw Index, has trended positively all year (see the May-20 update, "Retail trends to watch: May MTD TRE +0.2%; same-store ShopperTrak traffic -2.7%"). And Stephen Laszczyk points out that attendance at concerts remains very strong even going up against demanding comps in a May-22 note, "LYV: Key takeaways from our investor meeting."

Listening in

Over the course of May, we tapped into our experts in both research and sales & trading (Global Banking and Markets) in an effort to keep our finger on the pulse of what matters most and what the future may hold. We capture these conversations in a series of Research Unplugged or The Markets podcasts, including:

- **The markets.** May-23: "Fade the S&P 500 rally?" with Brian Garret, head of equity execution on the Cross Asset Sales desk in Global Banking & Markets.
- **The Consumer.** May-19: "Research Unplugged: Takeaways from the 2025 Global Staples Forum" with Bonnie Herzog and Leah Jordan.
- **Strategists and Economists**. May-16: "Research Unplugged: Trade war truce or fade the rally?" with David Kostin, David Mericle, Sharon Bell and Jari Stehn.
- **Machines.** May-16: "Research Unplugged: Global Machinery Roundtable: Supply Inflection" with Jerry Revich, Daniela Costa, Christian Hinderaker, Nick Zheng, and Takeru Adachi – and our US Industrials Sector Specialist from Goldman Sachs' Global Banking & Markets Division, Ryan Novak.
- **Robotaxis**. May-11: "Research Unplugged: Robotaxis & the Road to Commercialization" with Mark Delaney and Allen Chang.

Conviction List - what has worked, what has not and what has changed

We provide performance of each name on the list for the month of May and the life-to-date total return relative to the S&P 500 Index and the S&P 500 equal-weighted Index in the table below. Additionally, we present the Conviction List "hit rate" - a simple measure of performance that calculates the percentage of stocks that have outperformed the stated benchmark during their time on the list, since inception. Lastly, we highlight the names that were added to and removed from the list in this note.

Exhibit 12: Conviction List - Directors' Cut stock performance

May and life-to-date total return

Ticker	Name	Calendar Days on the List	May 2025	Life-to-Date Return Rel to S&P 500	Life-to-Date Return Rel to EW S&P 500
NET	Cloudflare Inc - Class A	60	37.3%	41.6%	45.2%
SNOW	Snowflake Inc-Class A	334	29.0%	42.7%	43.3%
GEV	GE Vernova Inc	60	27.5%	49.5%	53.1%
AL	Air Lease Corp	180	23.2%	15.6%	19.2%
PINS	Pinterest Inc- Class A	242	22.9%	-7.4%	-3.3%
ALNY	Alnylam Pharmaceuticals Inc	117	15.7%	13.9%	14.3%
WWD	Woodward Inc	303	15.5%	31.2%	35.2%
BAC	Bank Of America Corp	117	10.7%	-2.4%	-2.0%
DE	Deere & Co	89	9.2%	6.0%	7.2%
HLI	Houlihan Lokey Inc	30	7.8%	1.5%	3.4%
RJF	Raymond James Financial Inc	117	7.3%	-10.8%	-10.4%
SPX	**S&P 500**		**6.3%**		
[1]	**GS Americas Coverage**		**6.0%**		
PM	Philip Morris International	303	5.4%	53.5%	57.4%
KGS	Kodiak Gas Services Inc	60	5.1%	-9.7%	-6.1%
SPW	**S&P 500 Equal Weight**		**4.3%**		
UBER	Uber Technologies Inc	149	3.9%	38.5%	38.2%
T	AT&T	60	0.4%	-6.2%	-2.6%
JNJ	Johnson & Johnson	30	0.1%	-6.1%	-4.2%
VNOM	Viper Energy Inc	89	-0.3%	-11.9%	-10.8%
BAX	Baxter International Inc	89	-1.6%	-10.8%	-9.6%
INSM	Insmed Inc	270	-3.2%	-14.5%	-10.6%

[2] **Conviction List hit rate (n = 83 LTD; n=58 TTM)**

Relative to:		LTD	TTM
	S&P 500	47%	48%
	S&P 500 Equal Weight	52%	55%
	GICS Sector	55%	60%
	GS Americas Coverage	54%	59%

Added to the list this month

Ticker	Name	Days on the List	May 2025	LTD Return Rel to SP500
COF	Capital One Financial Corp			
MAA	Mid-America Apartment Comm			
OLED	Universal Display Corp			
OS	Onestream Inc			

Removed from the list this month

Ticker	Name	Days on the List	May 2025	LTD Return Rel to SP500	LTD Return Rel EW SP500	Date removed
BDC	Belden Inc	149	3.0%	-6.7%	-7.0%	6/2
BURL	Burlington Stores Inc	180	1.4%	-17.7%	-14.0%	6/2
SPGI	S&P Global Inc	303	2.8%	-1.7%	2.3%	6/2

[1] Total return for Americas Research coverage

[2] Hit rate is defined as the % of stocks that have outperformed the benchmark while on the list, since inception

Source: Goldman Sachs Global Investment Research, Bloomberg

What has changed

With this update we add COF, MAA, OLED and OS while removing BDC, BURL, and SPGI. As discussed in previous monthly updates, there are many reasons a stock could get removed from the list. They can include (but are not limited to), analysts no longer having conviction in their idea (e.g. a downgrade), price realization, the passage of catalysts or the subcommittee believing there are better opportunities elsewhere. In short, names will be removed if the committee determines a name is no longer a top investment idea (list will target 20-25 Buy-rated stocks) across the Americas coverage.

Importantly, inclusion on this list is not a stock rating and addition to or removal from this list does not necessarily represent a change in the analyst's investment rating for such stock.

Exhibit 13: Conviction List Changes since April 30th, 2025
Changes to FY2 EPS, Price Targets and to the List

Ticker	Name	FY2 EPS %	PT %
ALNY	Alnylam Pharmaceuticals Inc	NA	2%
KGS	Kodiak Gas Services Inc	-1%	-4%
VNOM	Viper Energy Inc	10%	-3%
BAX	Baxter International Inc	-7%	-7%
INSM	Insmed Inc	-3%	1%
HLI	Houlihan Lokey Inc	1%	14%
JNJ	Johnson & Johnson	0%	2%
NET	Cloudflare Inc - Class A	-5%	7%
PINS	Pinterest Inc- Class A	5%	5%
SNOW	Snowflake Inc-Class A	6%	12%
UBER	Uber Technologies Inc	-3%	15%
AL	Air Lease Corp	0%	3%
DE	Deere & Co	2%	5%

CL Additions		Date
MAA	Mid-America Apartment Comm	6/2/2025
COF	Capital One Financial Corp	6/2/2025
OS	Onestream Inc	6/2/2025
OLED	Universal Display Corp	6/2/2025

CL Removals		Date
BDC	Belden Inc	6/2/2025
BURL	Burlington Stores Inc	6/2/2025
SPGI	S&P Global Inc	6/2/2025

Source: Goldman Sachs Global Investment Research, Bloomberg

Anatomy of the List

Top 5 Snapshot

While our Conviction List process focuses on stocks where our analysts expect strong risk-adjusted returns, we recognize there are a broad range of investing styles across portfolio managers. Below, we highlight the top 5 stocks from the current Conviction List across four major metrics: Upside to 12-month price target, Upside to next year's consensus EPS, FY2 Revenue growth and current Dividend Yield.

Exhibit 14: The Conviction List contains stocks that are attractive across a number of metrics
Top 5 names by fundamental metric

Upside to price target		Upside to consensus EPS		Revenue Growth		Dividend Yield	
INSM	43%	OS	>20%	INSM	133%	VNOM	6%
VNOM	41%	VNOM	>20%	NET	28%	KGS	5%
PINS	35%	INSM	>20%	VNOM	27%	T	4%
UBER	31%	ALNY	>20%	ALNY	24%	MAA	4%
COF	28%	SNOW	15%	SNOW	24%	JNJ	3%

Source: Goldman Sachs Global Investment Research

By the Numbers

Our Conviction List should not be viewed as a portfolio as we will not attempt to weight these stocks or ensure diversification across our stock coverage. That said, we will continue to provide some context of the list construction to give investors a taste of the independent investment ideas on the list.

Exhibit 15: By The Numbers

20%	**2%**	**11%**
median upside to price target	median upside to consensus FY2 KPI	median FY2 revenue growth
26%	**85%**	**1.0**
% names with 50% or less Street Buy	% names with upside to FY2 KPI	median beta

Source: Goldman Sachs Global Investment Research, Bloomberg

Upcoming Catalysts

Below we provide a rolling calendar of events that have the potential to drive investor sentiment toward our analysts' view.

Exhibit 16: Non-earnings catalysts our analysts expect to be important
Potential catalysts

Ticker	Date	Event
SNOW	2-Jun	Snowflake Summit
PM	24-Jun	Philip Morris International Europe Focus Event
INSM	12-Aug	Brensocatib - Potential U.S. approval (per PDUFA with Priority Review) and subsequent launch in non-CF bronchiectasis
ALNY	1H25	Ph3 for next-generation nucresiran in TTR initiation
ALNY	2H25	ROG-partnered zilebesiran in hypertension (Ph2 combination data and Ph3 initiation)
INSM	2H25	TPIP - Initiation of Ph3 PH-ILD study (with initiation of Ph3 PAH study to follow)
INSM	Mid-2025	TPIP - Ph2 topline PAH data
INSM	YE25	Brensocatib - Topline Ph2b data in chronic rhinosinusitis without nasal polyps (CRSsNP)

Source: Company data, Goldman Sachs Global Investment Research

Conviction List Explained - refrain

On June 1, 2023 we introduced this new investment list which highlights a selection of fundamental Buy-rated US stocks across the Goldman Sachs Americas Global Investment Research department. These ideas are sourced from our US research analysts, but chosen by members of our Investment Review Committee. This new 'Conviction List - Directors' Cut' is designed to provide investors with a curated and active list of 20-25 of what we believe to be our most differentiated fundamental Buy ideas across our US stock coverage.

The subcommittee, which includes the Americas Director of Research and the other senior research managers listed as authors of this report, will collaborate with each sector analyst to identify top ideas that offer a combination of conviction, a differentiated view and high risk-adjusted returns. The subcommittee will then choose what they view as the top 20-25 ideas across the department for the list. We intend to refresh and publish the list monthly to allow the list to become part of the investment process of Portfolio Managers.

Importantly, we do not express thematic or factor views with this list. Rather, this list focuses on bottom-up fundamental analysis from our analysts. While our analysts will incorporate their view of macro impacts on the fundamentals of their stocks, we will not intentionally express factor, rates, inflation or other macro views in the construction of this list. Our analysts appropriately incorporate the impact of these factors in their estimates which are a critical component to our selection process.

Finally, inclusion on this list is not a stock rating and addition to or removal from this list does not necessarily represent a change in the analyst's investment rating for such stock.

Recent Editions:

- "US Conviction List - Directors' Cut: May 2025 Update"
- "US Conviction List - Directors' Cut: April 2025 Update"
- "US Conviction List - Directors' Cut: March 2025 Update"
- "US Conviction List - Directors' Cut: February 2025 Update"
- "US Conviction List - Directors' Cut: January 2025 Update: Top Themes for the Year Ahead"
- Inaugural Edition: 6/1/23: "Conviction List - Directors' Cut"

Visit the Conviction List – Directors' Cut portal page here: "Americas Conviction List — Directors' Cut"

Recent Podcasts:

- "Research Unplugged: US Conviction List - Directors' Cut: May Spotlight"
- "Research Unplugged: US Conviction List - Directors' Cut: April Spotlight"

- "Research Unplugged: US Conviction List - Directors' Cut: March 2025 Spotlight"

Our 23 most differentiated Buy recommendations

The company specific discussion in the sections below reflect the views of the covering analyst.

Exhibit 17: Conviction List - Directors' Cut

Ticker	Company	Summary
Consumer		
PM	Philip Morris International	Leading the cigarette industry to a smoke-free future
Financials		
BAC	Bank Of America Corp	A deregulation beneficiary levered to an expanding economy
COF	Capital One Financial Corp	Merger synergy story with network effects and a big buyback
HLI	Houlihan Lokey Inc	The right time for an acquisitive restructuring specialist
MAA	Mid-America Apartment Comm	Sunbelt migration beneficiary at a good time in the supply cycle
RJF	Raymond James Financial Inc	Strong earnings outlook with exposure to a Capital Markets recovery
Healthcare		
ALNY	Alnylam Pharmaceuticals Inc	Catalyst-rich biotech company on the edge of an inflection
BAX	Baxter International Inc	Optimizing a profitable footprint
INSM	Insmed Inc	A product portfolio company emerging - at an inflection point
JNJ	Johnson & Johnson	Navigating a patent cliff to a higher stock price
Industrial		
AL	Air Lease Corp	A critical cog in a supply constrained airplane market
DE	Deere & Co	Close to as bad as it is likely to get; an inflection story
GEV	GE Vernova Inc	Dominant position to electrify America
WWD	Woodward Inc	The right products for the right planes in the right cycle at the right time
Natural Resources		
KGS	Kodiak Gas Services Inc	An underappreciated steady cash flow compounder with a dominant market position
OLED	Universal Display Corp	Product cycle on steroids as OLED rolls out the color blue
VNOM	Viper Energy Inc	Asset Light, Scaling Permian Pure Play
TMT		
NET	Cloudflare Inc - Class A	Security software platform with the product pipeline to grow share of wallet
OS	Onestream Inc	Early-stage growth compounder modernizing the Office of the CFO
PINS	Pinterest Inc- Class A	Well-positioned profitable compounder in the digital advertising space
SNOW	Snowflake Inc	Next layer Gen-AI winner with a new CEO focused on accelerating product innovation
T	AT&T	Earnings upside from market discipline and broadband growth to drive valuation upside
UBER	Uber Technologies Inc	A disruptor not yet ready to be disrupted

Source: Goldman Sachs Global Investment Research

Air Lease Corp (AL) - covered by Catie O'Brien

A critical cog in a supply constrained airplane market

Air Lease is poised to see sustained earnings growth as it takes delivery of attractive new tech narrow body airplanes and leases them to customers at an attractive spread. Additionally, the company is poised to realize better lease terms on aircraft that it leased to customers during the pandemic at depressed rates but also much shorter-term leases. Finally, O'Brien looks for continued gains on sale as the market for used planes remains robust.

- **Air Lease has an attractive orderbook of new tech narrowbodies.** At the core of the aircraft leasing business is access to new airplanes that airline customers want but cannot access on their own. Air Lease has such access, and Catie O'Brien sees elevated demand for Air Lease's order book, primarily comprised of attractive, new technology narrowbodies. In addition, Air Lease's fleet is poised to grow significantly as its orderbook delivers, with future committed capex ~60% of the company's current owned aircraft assets.
- **Strong supply/demand dynamics + a post-pandemic pricing pick-up.** The aircraft leasing industry backdrop is positive, and Catie O'Brien expects momentum to continue into 2025, as aircraft availability remains constrained due to delivery delays, aircraft on the ground for accelerated engine maintenance, and tight maintenance, repair, and overhaul ("MRO") supply. Additionally, aircraft leases on new deliveries and re-leases that came due during 2020 and 2021 were signed at unfavorable rates for the lessors/favorable rates for the lessees as the outlook for airlines at that time was uncertain — leading to a compression in net spreads for AL since 2019. But aircraft leasing companies offset these unfavorable leases with shorter lease terms (3-5 years vs a typical 10 year-plus lease). As a result, pandemic era leases are starting to come due and the step-up in lease rates could be more dramatic than usual. Looking forward, O'Brien expects net spreads to expand as the lessors deliver aircraft today with leases that were written in 2023 or later, which saw material increases in lease rates vs. pre-pandemic levels.
- **Declining borrowing costs and still-rising used airplane prices.** Aircraft leasing companies make money by earning a spread between what they borrow at to buy airplanes and the rate at which they lease those airplanes. They also make money by selling older airplanes in their fleet when it makes financial sense to do so. With the cost of borrowing set to decline or at least remain flat and the market for used aircraft remaining strong, O'Brien sees a path to better profitability in both areas.

Valuation.

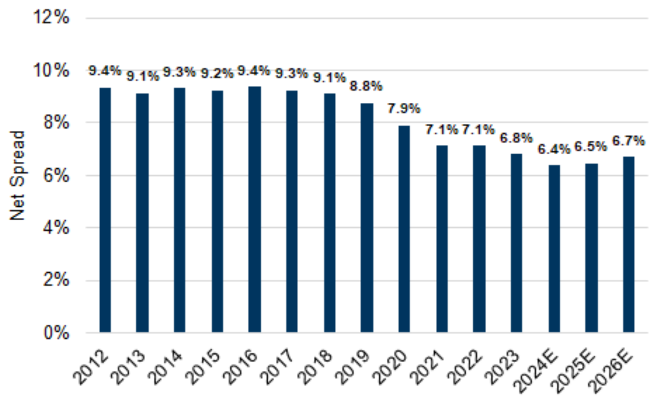
12-month price target of $69 is based on a 0.9x P/B multiple of estimated 4Q25 book value per share of $76.56. Key risks include: (1) significant delays in aircraft deliveries from Airbus and Boeing, (2) issues in repossessing aircraft in the case of non-payment for geopolitical or other reasons, and (3) if the company is not able to access the debt capital markets at favorable rates and terms.

Catalysts.

Earnings results, and net spread in particular, are the key catalysts. The street is looking for improving profitability of the owned fleet as an indicator of how accretive the company's significant fleet growth will be over the next several years.

Key Chart.

Exhibit 18: Historical Net Spread & GS Forecast



Net spread calculation: (Net Spread - Interest Expense)/Average Asset Value

Source: Company filings, Goldman Sachs Global Investment Research

Relevant Research.

- May-5: "AL: Mar Q beat as net spread expands; additional insurance settlement announced in June Q; Reiterate Buy"
- Apr-21: "Aircraft Leasing: Raising Mar Q outlook to include insurance settlements, but core outlook improves on higher aircraft sales"
- Mar-24: "AL: Receives insurance settlement proceeds tied to aircraft leased to Russian airlines"
- Jan-17: "Americas Aircraft Leasing: Modestly adjusting outlook; expecting profitability inflection in 2025"
- Dec-12: "Airlines: 2025 Outlook; Top Four Airline Debates into 2025; Spotlight on the Aircraft Lessors"
- Nov-21: "Americas Aircraft Leasing: Resuming coverage of the US-listed Aircraft Lessors; Buy AER & AL

Alnylam Pharmaceuticals Inc. (ALNY) - covered by Salveen Richter

Catalyst-rich biotech company in the midst of an inflection

Salveen Richter believes the RNA inference (RNAi) pioneer is at an inflection point as she expects the launch of its key asset, Amvuttra, in ATTR-cardiomyopathy (CM) – a rare cardiovascular disease – to drive the next leg of growth. Additionally, Richter sees the company transitioning to profitability this year, while its robust product pipeline, RNAi platform technology, catalyst-rich calendar and M&A optionality, all offer upside from here.

- **Amvuttra is well-positioned to capture market share in ATTR-CM following FDA approval with a positive label.** Richter is positive on Amvuttra's launch/revenue trajectory post its March 20 FDA approval (GSe peak sales of $5.4bn in 2035) given KOL feedback on the data/mechanism, favorable reimbursement dynamics as a Medicare Part B drug, and ALNY's ability to leverage its experience and commercial infrastructure from Amvuttra's approved ATTR-polyneuropathy (ATTR-PN) indication to expand to ATTR-CM. She is also confident in management's visibility into these commercial dynamics, and sees FY25 TTR sales guidance as achievable – GSe/FactSet of $1,698mn/$1,669mn vs. guidance of $1,600-$1,725mn. While she expects the launch to ramp in 2H25+ as reimbursement policies are finalized over the coming months, she also sees the potential for a solid 2Q given strong early launch progress per the 1Q update, notably that >50% of the ~170 priority health systems that treat ~80% of ATTR-CM patients have Amvuttra on their formularies, of which >75% have begun treating patients — she estimates at least 65 patients have started therapy, representing ~$6mn+ in quarterly revenue.
- **The ATTR-CM market has significant room to grow as new treatments enter.** Richter models for peak Amvuttra/TTR franchise sales of ~$5.4bn in 2035, which are split $1.1bn/$4.3bn for PN/CM. Her trajectory is above FactSet consensus for Amvuttra through 2028. Importantly, while the initial launch could be characterized by tafamidis switches, she sees significant room for the currently ~10% penetrated ATTR-CM market (>300K patients globally) to grow with increased awareness and diagnosis as new options enter. Therefore, Richter sees room for multiple therapeutic options and expects the launch will be characterized by market growth vs. solely market share/switching dynamics.
- **The lifecycle management strategy and ex-TTR pipeline are robust.** Richter is positive on ALNY's robust lifecycle management strategy with next-generation TTR asset nucresiran (Ph3 to initiate in 2Q25), which offers the potential for bi-annual dosing while also improving ALNY's margin profile given the lack of royalty burden and IP extending into the 2040s. Additionally, she believes the stock is mainly pricing in the TTR franchise (~$284 per her DCF on ~$5bn in TTR sales and no pipeline apart from clinical milestones from partner ROG; 3% TGR reflecting TTR lifecycle management); she sees the ex-TTR pipeline as an important upside lever, which includes hypertension, Alzheimer's, and obesity, among others with multiple catalysts in 2025.

- **GAAP Profitability in 2025, plus M&A.** Richter expects profitability this year driven by the Amvuttra launch execution and sees M&A optionality given ALNY's revenue growth profile from Amvuttra, pipeline and validated platform technology, and insulation from tariffs and drug pricing negotiations given the rare disease focus and strategy.

Where we are different.

Investor debate mainly centers on ALNY's valuation in the context of Amvuttra's sales opportunity vs. the precedent set by tafamidis and the launch of BBIO's Attruby, and on reimbursement/access dynamics as ALNY will maintain Amvuttra's premium list price, which is nearly double of competitors PFE and BBIO. Richter believes Amvuttra estimates of ~$5bn are highly achievable given the growth trajectory of the overall ATTR-CM market, and is positive on patient access given Medicare Part B dynamics and ALNY's patient assistance programs and track record of execution in the prior ATTR-PN indication. She also believes that the ex-TTR pipeline and M&A optionality are not being reflected at current levels.

Valuation.

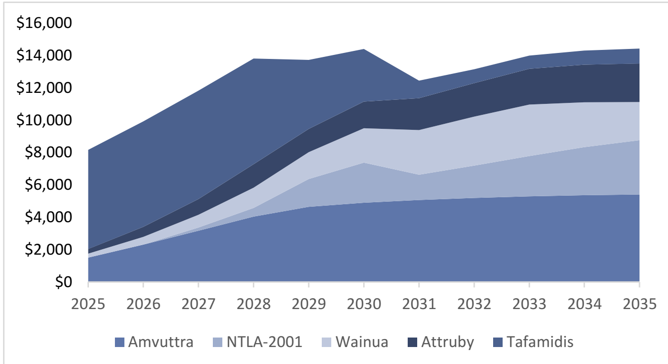
Richter's 12-month price target of $378 is based 85% on a risk-adjusted DCF ($356 ; 9% WACC, 3% TGR) and 15% on an M&A value of $498 (based on 16x 2027E sales). Risks: Downside risks: Clinical/technology: better competitive data – while ALNY is a leader in RNAi therapies, various modalities are being developed, including one-time potentially "curative" gene therapy approaches, in similar indications which could shift the treatment paradigm. Failure to secure reimbursement. Failure to obtain regulatory approvals and lack of commercial success in the US and ex-US would pose significant downside risks to Richter's sales estimates. Failure to protect IP portfolio and financial risk.

Catalysts.

Ph3 for next-generation nucresiran in TTR to initiate in 2Q25; ROG-partnered zilebesiran in hypertension (Ph2 combination data and Ph3 initiation in 2H25), and mivelsiran in Alzheimer's (further Ph1 data and Ph2 initiation in 2H25). Huntington's data at a medical conference in 2026. Updates on Amvuttra launch metrics on the 2Q and 3Q earnings calls.

Key Chart

Exhibit 19: GSe Amvuttra revenue forecast vs.consensus estimates for competitive products from PFE, AZN, BBIO and NTLA



Source: Goldman Sachs Global Investment Research, FactSet, Visible Alpha Consensus Data

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Relevant Research.

- May-1: "ALNY: Early ATTR-CM launch commentary sets up for an already strong trajectory"
- Apr-15: "Biotechnology: Takeaways from KOL call on Medicare dynamics — particularly for ATTR-CM and retinal disease"
- Apr-14: "Research Unplugged: The State of Healthcare in 2Q25+, A discussion on macro, policy and micro factors that are top of mind"
- Mar-31: "ALNY: Management meetings reaffirm confidence in TTR launch"
- Mar-21: "ALNY: Amvuttra approval in ATTR-CM sets up for a 2H+ revenue inflection and profitability"
- Feb-25: "ALNY: R&D Day underscores broad pipeline and platform advancements"
- Aug-30-24: "ALNY: Totality of detailed HELIOS-B data supports a strong overall profile"
- Aug-16-24: "ALNY: Poised for further inflection on TTR and pipeline execution; Upgrade to Buy"

AT&T Inc. (T) - covered by Jim Schneider

Earnings upside from market discipline and broadband growth to drive valuation upside

Jim Schneider sees upside to both Street estimates and AT&T's stock multiple driving healthy double-digit annualized returns for the stock. The US wireless market has undergone a transition to a more rational environment where pricing power is once again in force. Additionally, AT&T's fiber-to-the-home investment strategy should drive accelerating broadband revenue growth. And finally, regulatory measures to accelerate the decommissioning of copper networks should deliver further cost saving opportunities for AT&T. All of these efforts should drive sustainable ~4% EBITDA growth, which should justify a higher EV/EBITDA multiple over time.

- **A rational wireless market emerges**. Competitive intensity has structurally moderated in the Telco sector with the Big 3 wireless carriers all raising pricing amid relatively steady promotional activity, albeit with some variation quarter-to-quarter. Look also for solid subscriber growth and customer migration up the pricing curve as cable competition is weighed down by Pay TV cord cutting and an aggressive buildout of fiber-to-the-home.

- **Fiber investment to drive broadband growth.** AT&T is the most aggressive builder of fiber in the United States today, which should drive accelerating broadband revenue growth while the company stems legacy copper losses (DSL/U-verse). As legacy becomes a smaller portion of the overall subscriber base, look for broadband revenue growth to begin to accelerate, notably in 2028 and beyond.

- **FCC clears way for cost savings.** The FCC announced in March its attempt to streamline copper decommissioning efforts which it believes will help accelerate the transition from copper to fiber. Such an initiative could accelerate AT&T's ability to execute on its $6 bn cost reduction target.

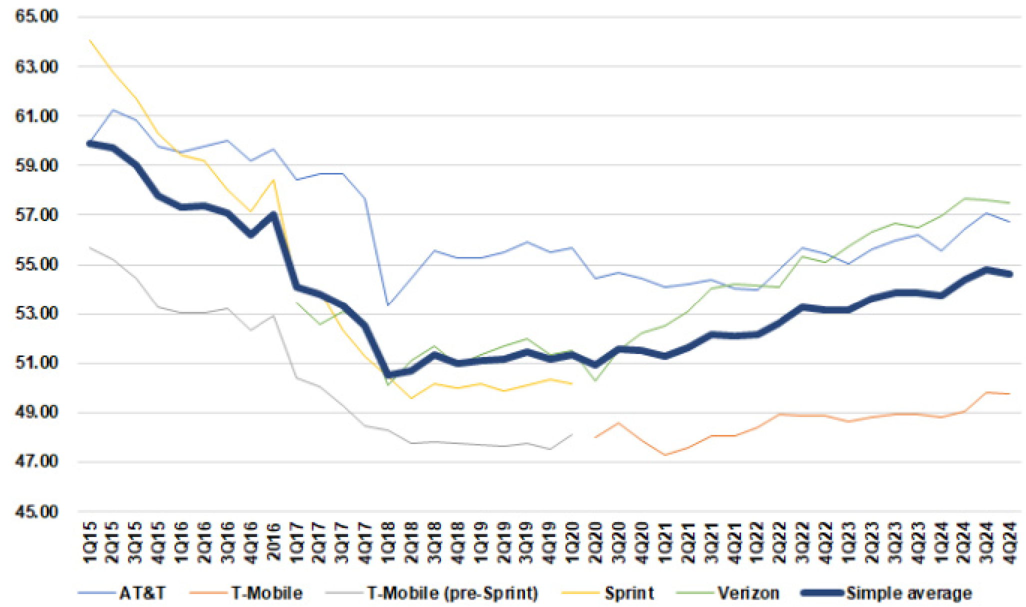
Where we are different.

Schneider's estimates are above the Street, particularly in 2026 and beyond. In addition, his proprietary broadband database illustrates how AT&T should be able to drive strong penetration with its fiber builds where competitive intensity is relatively low. Finally, he is tracking AT&T FCC petitions for copper decommissioning, which should enable the pace of cost takeaway activities.

Valuation.

12-month price target of $31 is based on an equal weighting of EV/EBITDA (7X one-year forward EBITDA) and DCF. Downside risks include: 1) fiber expansion market competition, 2) wireless competition, 3) limited spectrum availability, and 4) wireline franchise deterioration.

Exhibit 20: Postpaid Phone ARPUs have been trending upwards since 2020 after years of declines ($)



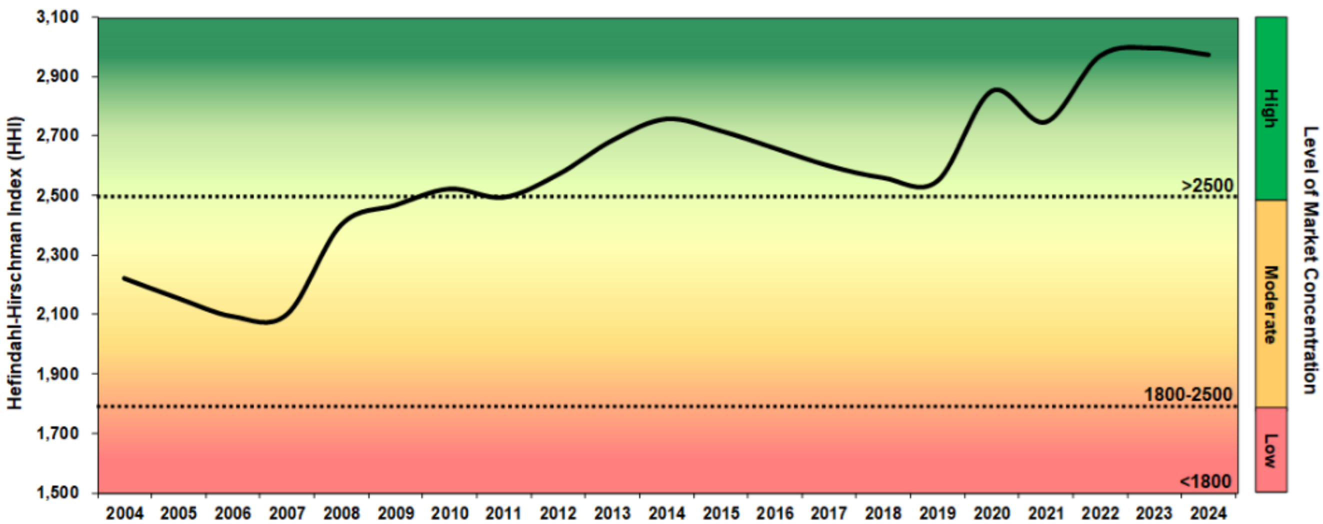
Source: Company data, Goldman Sachs Global Investment Research

Catalysts.

Schneider expects upcoming earnings reports (which reflect better wireless and broadband results) to be a steady source of positive catalysts, as well as potential future announcements from the company on the pace of its consumer fiber builds.

Key Charts.

Exhibit 21: Herfindahl-Hirschman Index calculation suggests lower competitive intensity for the US wireless industry



Source: Company data, Goldman Sachs Global Investment Research

Relevant Research.

- May-21: "AT&T Inc. (T): Announces agreement to acquire Lumen's Mass Markets fiber business; takeaways with industry context"

- Apr-23: "AT&T Inc. (T): Solid quarter across the board despite heightened competition, with buybacks to begin this quarter - Buy"
- Mar-25: "AT&T Inc. (T): Our conviction in the upside case is increasing"
- Mar-25: "US Telecom Services: Wireless preview: Structural bull case on recurring revenue growth strong despite choppy consumer datapoints"
- Feb-24: "Satellites: Taking flight. Starlink's implications for global telecom and satellite services"
- Jan-27: "AT&T Inc. (T): Strong subscriber trends underpin an idiosyncratic growth story - Buy"

Bank of America Corp. (BAC) - covered by Richard Ramsden

A deregulation beneficiary levered to an expanding economy

BAC is poised to see steady net interest income expansion as it reprices loans at higher rates at the same time as it reprices the rate it pays depositors lower in a steepening yield curve. In addition, the company's strong cost discipline should help to fuel further profit upside. And if bank regulatory relief is realized under new oversight leadership within the Trump Administration, Ramsden sees a path to even higher earnings for BAC and as much as $25bn of additional excess capital that can be returned to shareholders or reinvested in a rich environment for financial services organic growth opportunities.

- **NII growth is robust.** 2025 NII guidance implies roughly 6-7% NII growth yoy, which is best-in-class vs. other large banks (+4% on average). And Ramsden sees potential upside to NII over the course of the year, if the yield curve steepens and/or loan growth picks up more quickly than forecast. BAC is benefitting from a combination of strong loan and deposit growth, that is supplemented by the ability to price new loans at higher rates than in the past at the same time that it is paying many depositors a lower rate as the yield curve steepens in a Fed cutting cycle.
- **Operating leverage augmented by cost control.** BAC continues to deliver robust expense discipline, paving the way for multiple years of operating leverage ahead. Ramsden models 250bps of operating leverage in 2025E, and 180bps of further operating leverage in 2026E.
- **Capital returns upside.** In a scenario where CCAR, GSiB, supplementary leverage ratios (SLRs), and even discretionary management-imposed capital reserve buffers all realize relief under new regulation from the Trump Administration, Ramsden sees a path to $25bn excess capital and 4% higher EPS if all the excess capital were deployed into buyback. BAC is particularly leveraged to changes in SLR where Ramsden estimates the bank could see as much as $1.3 trillion of riskless balance sheet capacity freeing up in an optimistic scenario (see chart below).

Where we are different.

Ramsden's analysis of how regulatory relief could impact earnings and excess capital paints a compelling picture of upside on both EPS and ROTCE.

Valuation.

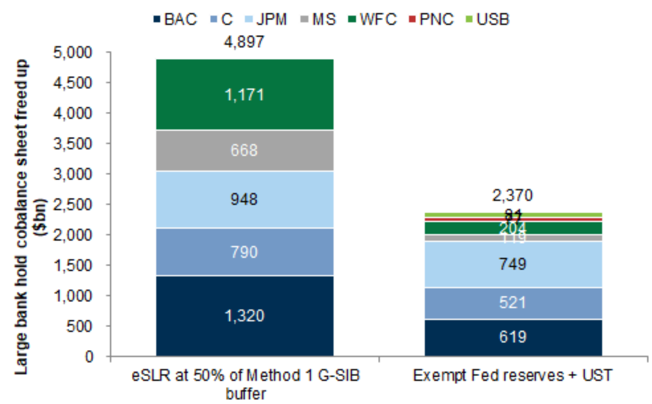
12-month price target of $46 is based on a P/E multiple of 11.0X 2025e EPS of $4.21. Risks include: less efficiency improvement from NII attrition and slower repricing of deposits.

Catalysts.

News on deregulation measures could occur throughout the year with a particular focus on CCAR results in June and resulting bank capital deployment announcements. Look also for news from the FOMC on rate cuts to further steepen the yield curve.

Key Chart.

Exhibit 22: Ramsden estimate that SLR reform could free up $2.4-4.9tn of riskless B/S capacity



Source: SNL Financial, Company data, Goldman Sachs Global Investment Research

Relevant Research.

- May-29: "Banks: 1Q25 capital return accelerates and CET1 inflects; more regulatory clarity likely needed before capital falls more materially"
- Apr-24: "Banks: 1Q25 in pictures; Looking ahead to the balance of 2025"
- Apr-20: "Banks: Overviewing the Fed's proposal to reduce CCAR volatility"
- Apr-15: "BAC: 1Q25 EPS: Better results, unchanged guidance, inexpensive valuation; reiterate Buy"
- Apr-9: "Banks: Revisiting large banks' downside scenarios"
- Mar-19: "Banks: Large bank regulatory capital rises during 4Q24, with JPM down a G-SIB bucket sequentially, and potential SLR insight"
- Jan-29: "Banks: Regulatory reform could unlock excess capital that could be deployed into the business & returned to shareholders"

Baxter International Inc. (BAX) - covered by David Roman

Optimizing a profitable footprint

Look for stable mid-single-digit revenue growth augmented by significant operating margin expansion and free cash flow growth to drive a turnaround in BAX shares after a long period of underperformance. The fundamental drivers: look for the company to focus on operational rigor, greater consistency in results vs. guidance and expectations, and remain aligned to the company's ethos and business model. A 4% topline growth profile suggests current valuation (~10.5x 2026E) underappreciates the durability of Baxter's portfolio. Concern on top-line growth was augmented by a 1Q25 beat but a guide down to 1-2% for 2Q25. Roman's analysis suggests growth will end up above that guidance and on track for the high-end of company guidance of 4-5% for 2025. Further, in a scenario where the company can delever faster, start returning more cash to shareholders, or identify discrete drivers to accelerate revenue growth, he sees the prospects for additional valuation re-rating to yield further upside (beyond compounding with teens earnings growth).

- **Historical stock outperformance in periods of profit optimization.** Roman's analysis shows that BAX shares have consistently outperformed the market when the company focuses on optimizing profits of its existing industrial healthcare footprint rather than looking to expand, and now is a time for optimization. Although the company is in the midst of identifying a permanent CEO, management commentary on the fourth quarter earnings call indicated that during the interim period, the Board of Directors is looking for stable, predictable, consistent, strong results. We remind investors that BAX went through a CEO transition in mid-2015 when the company was facing a similar set of operating dynamics, and that change over did not create short-term disruption.
- **Stabilizing revenue.** BAX has a business profile similar to an industrial manufacturing company – high volume throughput (billions of units per year) with low average selling prices and high exposure to commodity and labor wage inputs. But its Healthcare end markets grow more consistently than most Industrials, providing greater visibility into revenues than a more cyclical counterpart. Over the course of 2025-2028 and beyond, look for revenue growth to approximate 4% annually. And for 2025, Roman forecasts growth closer to 5% as the company laps numerous discrete headwinds in 2024, plus benefits from the resumption of normal growth in some key product lines, realizes a faster rate of adoption for new injectable products, and sees a greater price contribution from US contract renewals.
- **Margin expansion and FCF growth.** The spin-off of BAX's kidney business, Vantive, affords an opportunity to realize substantially higher margins than were realized in 2024. Roman estimates that normalized gross and operating margins should approximate 48-49% and 20-21%, respectively vs 43.5% and 13.9%, respectively, in 2024. As the company works out stranded costs from the spin-off, look for operating margins to expand to 18.5% by 2027 on their way back to 'normal.' Modest topline

growth combined with margin expansion, debt paydown, and declining interest expense should fuel a 12.0% EPS CAGR through 2028E and free cash flow growing to $1.66bn in 2028E from only $573m in 2024.

Where we are different.

(1) Proprietary margin analysis that leverages GS forecasts for wage growth, framework for industrial restocking, and incremental profitability analysis; (2) Bottom-up margin build tied to historical peer normalized P&L analysis and feedback from industry channel checks; and (3) Channel analysis to validate underlying demand and confidence in top-line acceleration in 2025 and consistent performance thereafter.

Valuation.

12-month price target of $39 is based on 14.0x Q5-Q8 adjusted EPS. Risks include: margin expansion fails to materialize, cyclical rebounds are not as great as forecast in key end markets, healthcare policy changes disrupt revenue or profit trajectories, tariffs, an inefficient use of the balance sheet, uncertainty around the CEO transition.

Catalysts.

Resolving the impact, if any, from potential tariffs could prove an important clearing event for the stock. Beyond the upcoming quarter, free cash flow is likely to inflect in 2H25 into 2026 as the company legs away from ramping production at a facility as well as excess expenses tied to the Vantiv spin-off.

Relevant Research.

- May-1: "BAX: 1Q25: Tariff Debate Resolved; Focus on Fundamental Upside Case"
- Apr-14: "Research Unplugged: The State of Healthcare in 2Q25+, A discussion on macro, policy and micro factors that are top of mind"
- Mar-18: "BAX: Takeaways from Webinar with Management"
- Feb-25: "BAX: Margins and Cash Flow Poised for Cyclical Inflection in 2H25+; Reinstate at Buy"

Capital One Financial Corp. (COF) - covered by Ryan Nash

Merger synergy story with network effects and a big buyback

COF completed a merger with DFS on May-18 that has the potential to drive substantial earnings accretion for the combined bank and unlock a multi-year capital return strategy that Ryan Nash believes will be among the most attractive in the Financial Services sector. Drilling down, the merger should result in $25.50 of consolidated EPS in 2027 (or ~34% EPS accretion) as COF is now the largest credit card issuer in the US and on a path that could allow the bank to move its issued cards from V/MA to its own network (Discover's) which could result in meaningful synergies. Finally, the combined entity now has far more capital than regulators require, providing a path to meaningful share buybacks, equivalent to ~14% of COF's market cap by year-end 2027.

- **Big deal accretion ahead.** The merger with DFS provides two main sources of synergies: (1) an expected earnings uplift from integration cost savings (~26% of DFS operating expenses, ex-marketing, should be reduced); and (2) network synergies from switching cards to the now in-house Discover payments network from the currently outsourced networks of Mastercard or Visa. Additionally, with COF planning to add its debit spend and a growing portion of its credit card purchase volume to the Discover network, this should help fuel a 'network effect' of a more scaled business, thus increasing the network's value to merchants resulting in greater growth over time. There also may be opportunities for DFS customers to engage with Capital One offerings such as Capital One travel, Capital One shopping, Auto Navigator and the national bank. Lastly, COF has made significant investments in technology over the last decade, and would expect Discover's businesses and operations to benefit from COF's modern technology and data infrastructure and be able to leverage COF's investments in tech, risk management and compliance.
- **Capital return story building.** When COF reports 2Q25 results including DFS, look for CET1 (Common Equity Tier 1 capital) to be 13.77% — well above its target CET1 ratio of 11%. Nash does not believe that COF will return cash to shareholders all the way down to its 11% at first as it holds onto a buffer to manage deal integration risk. Against this backdrop, Nash is modeling ~$24bn of buybacks through YE 2027, including ~$16bn by YE 2026. And if COF chooses to migrate towards its 11% CET1 target, investors could see an additional $5.5bn of buybacks by YE 2027.
- **Deregulation beneficiary.** Credit card late fees and charges were in focus under the Biden Administration, but were thrown out by a judge in Texas in April and this removes a potentially substantial headwind to earnings and appears to be allowing COF to reinvest in its business as we saw in a surprising ramp-up of operating expenses alongside March quarter results. Additionally, COF should be a beneficiary of changes to the final Basel 3 rules as well as broader capital regulation (CCAR) which should allow it to return additional capital over time.

Where we are different.

Nash is looking for a substantially bigger buyback at $24bn through 2027E vs the Street

(Visible Alpha Consensus Data) which is currently modeling ~$14bn — a pattern that could also drive upside to EPS. Additionally, Nash is looking for credit to come in better than expected as he models net charge offs (NCOs) for legacy COF of 3.31% vs. the Street at 3.40% in 2025E, and he expects NCOs to continue to trend lower. Additionally, Nash sees the potential for lower charge off's at acquired DFS and expects continued credit outperformance relative to the initial guidance that was laid out when the deal was announced.

Valuation.

12-month price target of $242 based on a multiple of 13.5x 2026E EPS (based on pre-merger EPS estimate of $17.50). Risks include: DFS integration risk, further deterioration in consumer credit, and slower loan growth.

Catalysts.

The company may update earnings and accretion targets related to the DFS merger at an industry conference on Jun-10, which will be the first time COF speaks publicly post the closing of the DFS acquisition, or alongside 2Q25 earnings which are expected on around Jul-17. Additionally, look for the company to highlight the ability to move additional purchase volume to the DFS network over the medium term which could point to further upside to the targeted $1.2bn ($1.03bn if the Reg II proposal is not implemented) of network synergies through 2027E. Lastly, look for the company to announce a new share buyback authorization post CCAR 2025 (late June) which could be ~$16bn in buybacks over the next 6 quarters.

Key Chart.

Exhibit 23: Factoring in Nash's capital assumptions and operating net income estimates, he sees ~$24bn in buybacks through 2027E

Potential capital return							
	LT CET1 of 12.0%						
$mn	2Q25E (PF)	2025E	2026E	2027E	Total	*Legend*	*Notes*
DFS 2Q25E RWA	378,868	-	-	-		*A*	
COF 2Q25E RWA	123,539	-	-	-		*B*	
PF RWA	502,407	517,748	538,660	563,288		*A + B = C*	
CET1 %, end	13.77%	13.14%	12.50%	12.00%		*D*	
CET1 ($), beg	-	69,197	68,014	67,332		*C * D = E*	
Net income (Operating)	-	10,161	11,858	13,908		*F*	*GAAP NI + Amortization expense*
Avg diluted shares:							
COF shares	383.0	-	-	-		*G*	
Shares issued as part of deal	256.5	-	-	-		*H*	
Pro-forma avg diluted shares, beg	639.5	639.5	603.0	571.2		*G + H = I*	
Repurchase	-	7,911	7,939	8,469	24,319	*(E + F - J - K) - L = M*	
Pro-forma avg diluted shares, end	-	603.0	571.2	541.6		*(I - M) / (5/22 close* 15% CAGR)*	
Dividend	-	1,535	1,447	1,371	4,353	*I * $0.60 = J*	
Total capital return	-	9,446	9,386	9,840	28,672	*M + J = N*	
Memo: Payout ratio	-	93%	79%	71%		*N / F = O*	
AOCI impact on CET1	0	1,898	3,154	3,806		*K*	
CET1 ($), end	69,197	68,014	67,332	67,595		*L*	
Memo: Excess above target	*8,908*	*5,885*	*2,693*	*0*			
PF RWA Density		*112%*	*112%*	*112%*			

Source: Company data, Goldman Sachs Global Investment Research

Relevant Research.

- May-27: "COF: Updated accretion analysis for Capital One / Discover merger post updated fair value marks"
- May-19: "Regional Banks: Handbook: Analyzing key industry trends; focus on NII, loan growth, deposit betas and allowance metrics"
- Apr-22: "Consumer Finance: Key takeaways from COF, SYF and ZION earnings"
- Mar-20: "Consumer Finance: Key Takeaways from Investor Call with M&A Expert"
- Jan-7: "Consumer Finance: 2025 Outlook: Looking for stable to improving credit and margin improvement"
- Feb-21-2024: "Consumer Finance: Key takeaways from COF's announced acquisition of DFS"

Cloudflare (NET) - covered by Gabriela Borges

Security software platform with the product pipeline to grow share of wallet

A combination of improving sales productivity and visible traction on a critical product cycle provides a path to upside earnings power for this security software platform provider. Look for customer acquisition costs to drop 10% as new sales people ramp up. And look for the company's next-generation security software solution to gain traction as its customers' developers increasingly engage in projects that involve both AI agents and real people — both in need of security protocols.

- **Sales productivity driving down CAC.** Look for an improving sales and marketing productivity cycle after two years of evolution to better address platform sales in the enterprise. In 2024, the company was able to return to 2022 sales productivity for ramped-up reps. And with recent sales reps now tilted towards enterprise customers, there is the potential to see further productivity gains ahead driving a 10% improvement in 2025/2026 customer acquisition costs (CAC).
- **Visible path to monetizing the next-gen 'Act II' product cycle.** Cloudfare has the potential to extend its presence in the Secure Access Service Edge (SASE), security software tools that manage a client's security status across both the Cloud and on-premise networks. The company is seeing traction as a result of its sales leadership changes (e.g. new CRO) and a broader reorganization (see above), which should help to drive higher contract values (ACV's) per sales rep as Cloudfare cross-sells Network Security into its content delivery network (CDN — essentially banks of networked servers) legacy installed base. And this traction should accelerate as Cloudflare can be especially competitive on pricing SASE since the incremental cost of providing an SSE service on its existing forward proxy network is essentially zero (it simply channels security traffic in the opposite direction on the same pipes as its CDN traffic).
- **Upside optionality from a visible path to securing AI applications for customers with it 'Act III' product cycle.** With its Act III product, look for Cloudflare to compete with hyperscalers to offer their customers' developers with the storage and compute solutions needed to address latency and performance. Cloudflare is particularly well positioned to help customer looking to upgrade existing CDNs to facilitate the secure development of AI applications, since they are already securing these CDN's. And Act III products were +76% yoy in 2024, marking a reacceleration from 2023. Also, a recent contract upgrade with a customer to help with inference, storage, image optimization and application security raised its annual contract value to $7mm from $500k alongside the first >$100mn multi-year TCV deal for the developer platform, highlighting how quickly these contracts can scale.

Where we are different.

Borges has done extensive work in sizing Cloudfare's different product cycles (across Act I, II, & III), including a capex to revenue build for the Developer platform opportunity. Additionally, the team has worked on a benchmarking productivity analysis that supports upside to numbers this year independent of the AI product cycle.

Valuation.

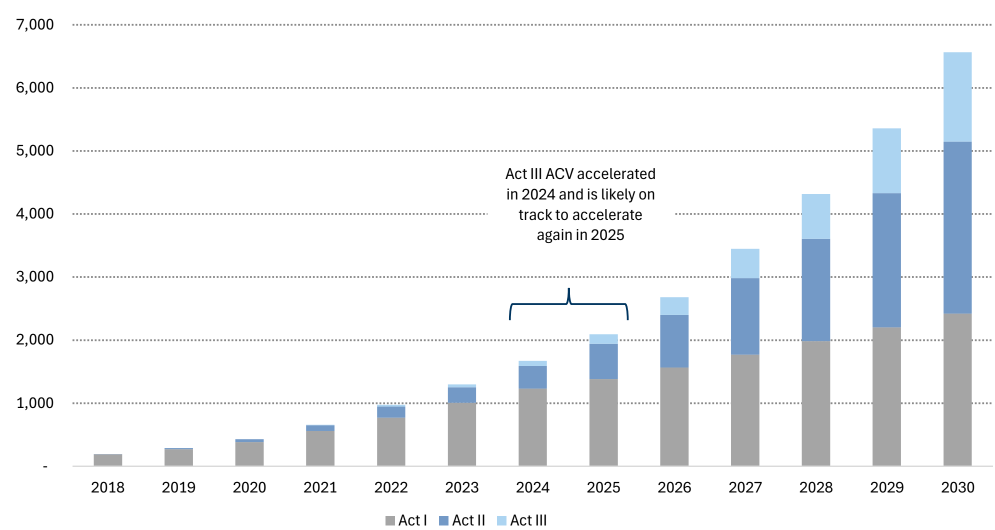
12-month price target of $172 is based on 22x Q5-Q8 estimated revenue. Key risks: the timing of new productivity ramps and potential disruption in the sales organization as Cloudflare expands into more enterprise customers, SSE traction, and inference demand potentially being met by hyperscalers or other compute solutions.

Catalysts.

Borges is looking for a top-line reacceleration starting in 2Q25. Additionally, Borges is looking for new AI customers to be added this year, offering similar contract value expansion that it has seen on recent wins.

Key Chart.

Exhibit 24: Borges uses company disclosures to estimate and forecast revenue by Act



Source: Company data, Goldman Sachs Global Investment Research

Relevant Research.

- May-8: "NET: More evidence that developer & SASE opportunities are accruing in Cloudflare's favor"
- Mar-25: "NET: What does capex tell us about the Act III ramp?"
- Mar-13: "NET: Investor day highlights AI positioning, go to market improvements"
- Feb-6: "NET: Productivity and AI milestones support 2025 re-acceleration"
- Jan-1: "Technology: Security: 2025 Repositioning: NET to Buy, CHKP to Neutral"

Deere & Co. (DE) - covered by Jerry Revich

Close to as bad as it is likely to get; an inflection story

Look for a positive inflection in DE earnings as the company approaches a cyclical trough for ag equipment inventory, plus benefits from the roll-out of a nascent subscription business. DE is operating in a sluggish agricultural equipment (tractors and combines) market today and has shrunk its inventory by $1bn a quarter relative to normal in each of the past three quarters. That leaves the company one quarter away from lapping its aggressive de-stocking program and facing much easier comps. Additionally, DE is on a path to aggressively grow its subscription business from 1% of sales today to 10% by 2030 – a business which involves precision semi-autonomous driving, planting, and fertilizer application (See & Spray) and carries significantly accretive margins.

- **Approaching a cyclical trough.** Deere's dealer inventory balance increased by +$1.97 bn sequentially compared to normal seasonality of +$1.6 bn, marking the first time Deere has built dealer inventories ahead of normal seasonality in seven quarters. Deere had destocked dealer inventories for six consecutive quarters through 1Q2025, including $3 bn over 3Q24-1Q25. Additionally, Ag used inventories inflected positively in the quarter declining -3% yoy in April, and 1% yoy in March, vs prior yoy decline in September 2022. Shifts in used inventories signal a significant imbalance between new equipment demand and actual supply, in his view, as capital stock is 10-15x vs. annual production.
- **Subscription model momentum.** Deere now derives 1% of sales from subscription with a goal to grow this business to 10% of sales by 2030. And Revich estimates that commercially available product lines have a subscription full adoption revenue opportunity of ~$2.6bn, or 5% of DE sales and ultimately 15-20% of profits.
- **Operating leverage and harvesting investments.** The margin expansion opportunity for Deere as it comes out of the current trough cycle is potentially greater than a typical rebound. Look for incremental tractor and combine margins of 35-40% as sales start growing again in 2026. Additionally, Revich estimates that DE is under-earning EBIT by ~$200mn in 2025E as it focuses on scaling its subscription base. Finally, subscription revenues are estimated to carry a gross margin of 80% – substantially higher than the company's average through-the-cycle margin. All in, look for EBIT margins to expand by 180bps in 2026 and a further 100bps in 2027 as the cycle improves and subscription sales accelerate.

Where we are different.

Revich's supply-side analysis work has been gathered over 20 years, while his bottom-up research on Precision Ag spans over a decade.

Valuation.

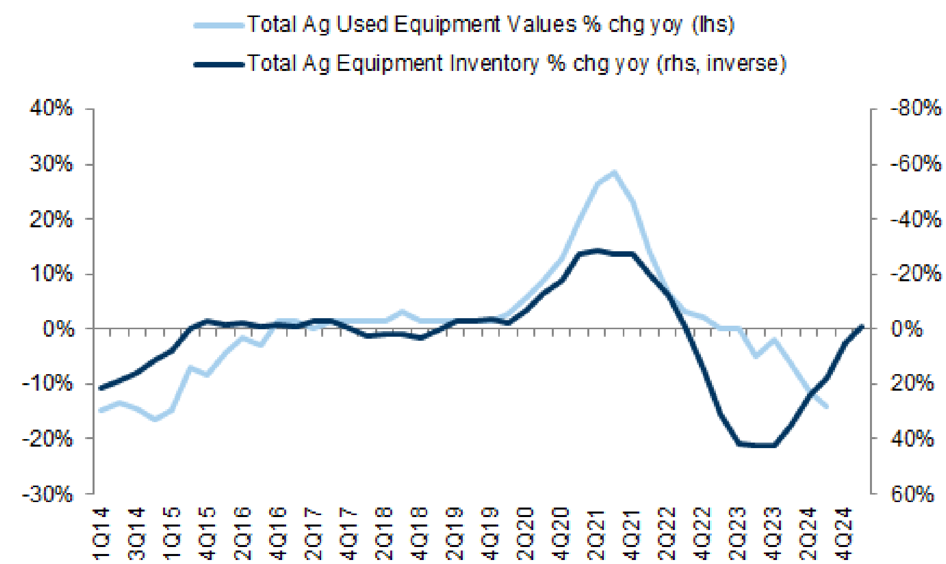
12-month price target of $610 is based on 23x a mid-cycle EPS estimate of $26.50. Risks include extended favorable weather conditions for crops, China soft commodity inventory builds, and supply chain constraints.

Catalysts.

Ag used and new equipment inventory declines, Precision Ag adoption growth, margin expansion in upcoming earnings.

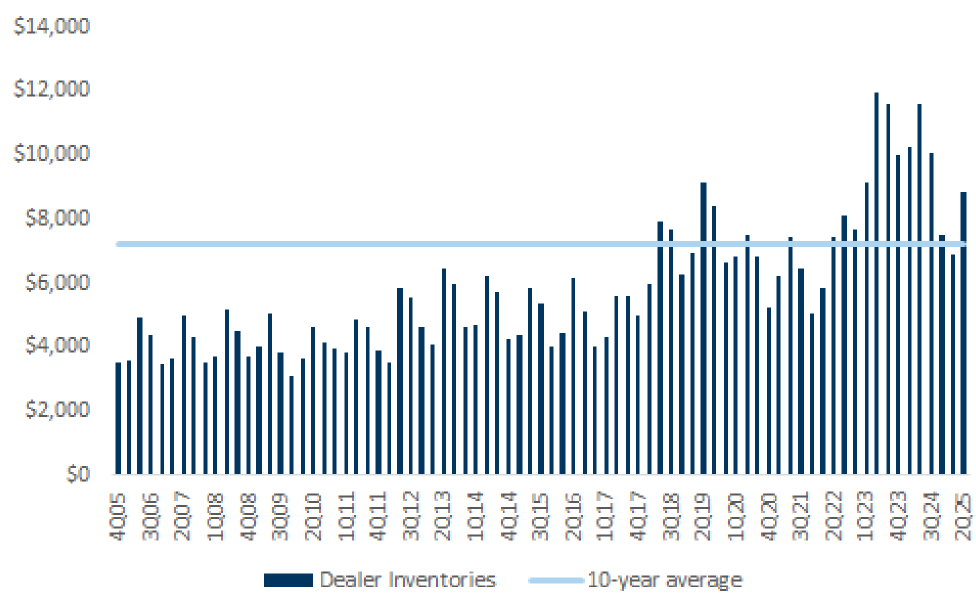
Key Charts.

Exhibit 25: Used ag inventories historically lead used equipment values by 6 to 9 months
Ag used equipment values vs ag used equipment inventories



Source: Machinery Pete, Sandhills Global

Exhibit 26: Deere dealer inventories, unadjusted for inflation



Source: Company data, Goldman Sachs Investment Research

Relevant Research.

- May-29: "Machinery: Three tariff developments since 1Q earnings – potential tailwinds for CAT, PCAR, CMI, TEX"

- May-27: "Machinery, Infrastructure, Sustainable Tech: Increasing allocation to Machinery amid three year-supply inflection; Rating changes"
- May-15: "DE: Machinery supply inflection, accelerating Precision Ag adoption"
- Apr-8: "Machinery, Infrastructure, Sustainable Tech: Trading update & Machinery supply tracker"
- Mar-26: "DE: Notes from the (virtual) road: Precision Ag deep dive"
- Mar-10: "Americas Machinery: 10K tidbits: Finco update reveals dealer incentive balances at high end of prior cycles"
- Mar-2: "DE: Rising visibility on cyclical & subscription inflection"
- Feb-13: "DE: Dealer inventories approaching trough levels, Precision Ag base building"
- Feb-10: "DE: What's Deere's progress on its 10% subscription target?"

GE Vernova (GEV) - covered by Joe Ritchie

Dominant position to electrify America

GEV is ideally positioned to provide equipment and services to generate, transfer, convert and store electricity to fuel an expected acceleration of electricity demand over the next 10 years both in the US and abroad. From natural gas powered turbines to windmills, GEV is able to provide fast-to-market solutions for a myriad of end users from Utilities, to data centers. Alongside rising demand, Ritchie sees constrained supply, particularly in the gas turbine power segment, which should drive margin expansion fueled by both pricing power and internal efficiency initiatives. Look for adjusted EBITDA to almost triple from 2024 through 2027 to $6b+.

- **Favorable exposure to electrifying America.** Our Utilities analyst, Carly Davenport, forecasts US electricity demand to grow 2.5% per year over the next 10 years, up from no growth for the past decade and only 0.5% annual growth over the past 20 years. Better demand is being driven by three areas: datacenter growth, partly to power AI initiatives; industrialization and manufacturing reshoring; and broad electrification, including the proliferation of EVs. And strong hyperscaler cash flows reinforce the potential for the AI growth component to be sustained (about a fifth of the 2.5% CAGR).

- **Pricing power.** GEV operates in a gas turbine power market with limited competition where it has a dominant share in the US (~50%). And the Power segment is GEV's largest one with a TAM of ~110bn/yr.

- **Margin expansion.** Management has targeted tripling profitability by 2028 and Ritchie believes that additional operational efficiencies have yet to be realized, suggesting that the company continues to underearn its potential. Additionally, with every power installation, GEV typically signs on to a long tail of after-market maintenance activity that Ritchie believes can generate a more reliable profit stream than it has in the past.

Where we are different.

Ritchie believes management's 2028 targets ($6-$6.5bn in EBITDA) can be achieved a year earlier and that GEV could achieve $8bn+ in EBITDA by 2028. The source of upside in the next 12-24 months is likely the Electrification segment given backlog has more than tripled the last two years (Grid equipment backlog now > $20bn) and growth (high-teens expected) could surprise to the upside. Additionally, he only assumes mid-20s incremental margins in 2026/2027, which could prove conservative given strong pricing in the backlog.

Valuation.

12-month price target of $500 is based on a target EV/EBITDA multiple of 28.0x Q5-Q8 estimated EBITDA. Risks include: slower growth due to regulatory/geopolitical changes, project delays from supply chain disruptions and execution risk.

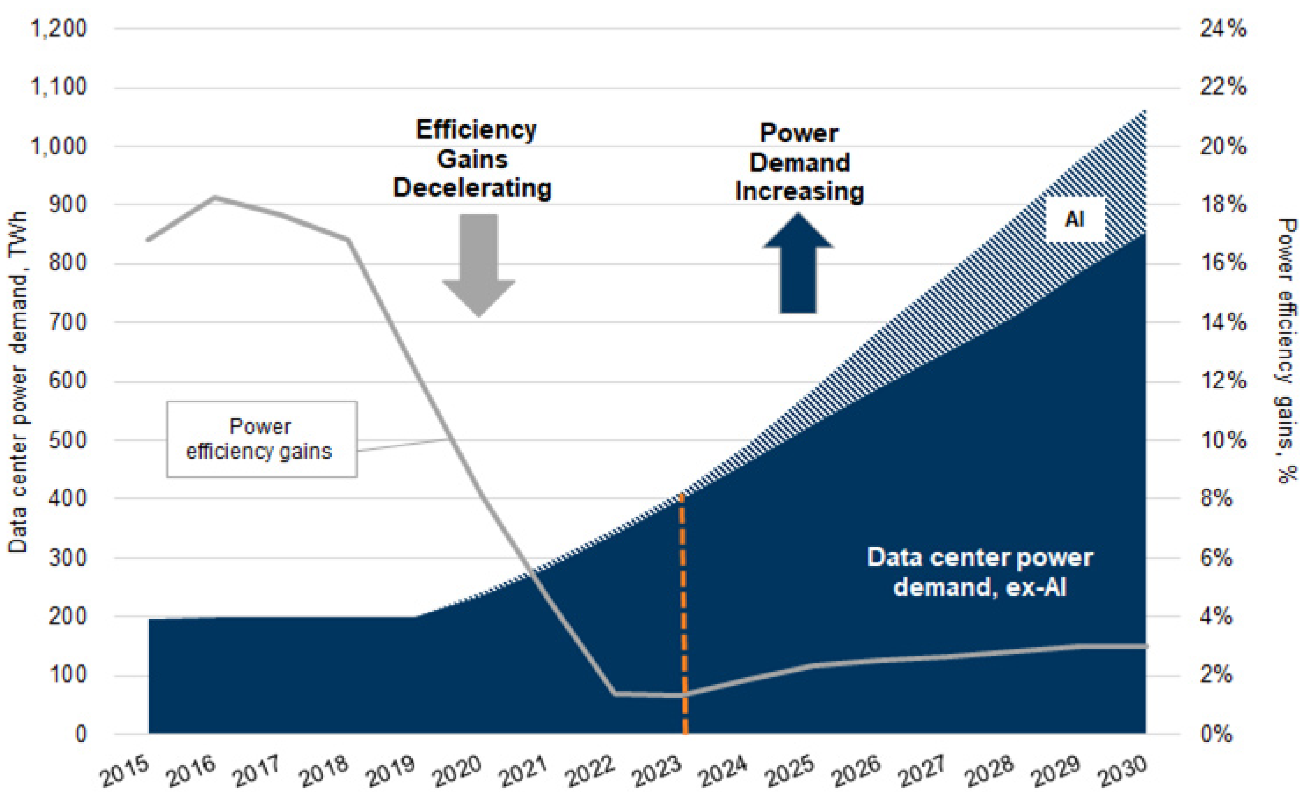
Catalysts.

Strong order momentum with Gas Power equipment orders of 5GW+ per quarter and Grid equipment backlog continuing to grow materially ($25bn+) in 2025 despite high-teens organic growth. Positive developments on hyperscaler investments in data centers or power sources (e.g., gas, nuclear) can also help support a higher multiple.

Key Chart.

Exhibit 27: After being flattish for 2015-19, GS expects power demand from data centers more than tripling in 2030 vs. 2020, with an upside case more than double the base case depending in part on product efficiencies and AI demand

Data center electricity consumption, TWh (LHS) and 3-year rolling average power efficiency gains yoy, % (RHS)



Source: Masanet et al. (2020), Cisco, IEA, Goldman Sachs Global Investment Research

Relevant Research.

- Apr-24: "GEV: Strong start to the year, FY25 guide affirmed"
- Mar-12: "GS SUSTAIN: Hyperscaler reinvestment and data center power demand: Capex, cash flow, returns, AI training vs. inference"
- Dec-12, 2024: "Multi-Industry: 2025 Outlook: Déjà vu? Buy Power, Short cycle inflection, New industrial compounders"
- Apr-28, 2024: "Generational Growth: AI, data centers and the coming US power demand surge"
- Apr-15, 2024: "GEV: Electrifying and decarbonizing our future; Initiate at Buy"

Houlihan Lokey Inc. (HLI) - covered by James Yaro

The right time for an acquisitive restructuring specialist

HLI offers best-in-class protection from an economic slowdown through its restructuring business (~25% of revenue during CY24), its skew to the healthier mid-cap and sponsor M&A businesses, and margin stability, as well as possessing underappreciated growth potential, as the new CEO is more focused on acquisitions than on capital returns. In a more challenging Investment Banking backdrop, HLI should be able to undertake an increasing number of bolt-on deals at better prices than it would see at a market peak.

- **Restructuring presence + small deal/sponsors M&A focus provides ballast.** HLI generates ~25% of revenue today from providing restructuring advice — a business that should see outsized growth in the event of an economic downturn. The restructuring business also does not just focus on bankruptcy situations but also garners revenue from liability management — a business that should see strong growth, given the increasing amount of debt that needs to be refinanced each year from 2025-2027. Policy uncertainty — especially around tariffs — should also present opportunities for HLI in the year ahead. Additionally, HLI's focus on smaller deals and sponsor deals should provide some insulation from tariff policy headwinds as these companies tend to be more domestic facing, and sponsors have a need to transact to return capital to LPs, whereas strategics can be more patient.
- **Expense discipline to support margins.** Even back in 2024, when the outlook for Investment Banking activity was intensifying, HLI maintained strong expense discipline helping to grow margins by 145bp qoq in 4Q24, helped by holding down non-compensation expenses. Moreover, they manage to a fixed 61.5% compensation to revenue ratio no matter the economic backdrop, vs. comp ratios for more cyclically-exposed peers that have moved up to 10pp from 2021-2023.
- **Bolt-on acquisition opportunities.** Management has committed to growing both organically and inorganically through M&A as it limits distribution of cash back to shareholders. The company typically conducts up to 3 transactions each year. In a more challenging investment banking backdrop, HLI should be able to realize more attractive acquisition prices for targets as its restructuring business buoys cash and strengthens confidence while competitors may back away from M&A.

Where we are different.

Yaro is 2% ahead of the Street (Visible Alpha Consensus Data) on FY1Q26 (HLI's fiscal calendar is three quarters ahead of the calendar quarters) Corporate Finance revenue (Corporate Finance being HLI's biggest business at ~62.5% of CY24 revenue, and contains M&A). This results in 1% upside to FY1Q26 total revenue vs. consensus. In addition, Yaro is 4% below consensus FY1Q26 non comp $s, leading to 6% EPS upside. Note that Yaro's forecasts do not contemplate acquisitions, which could further bolster Corporate Finance revenue, as this is the segment in which nearly all of their recent M&A transactions have taken place.

Valuation.

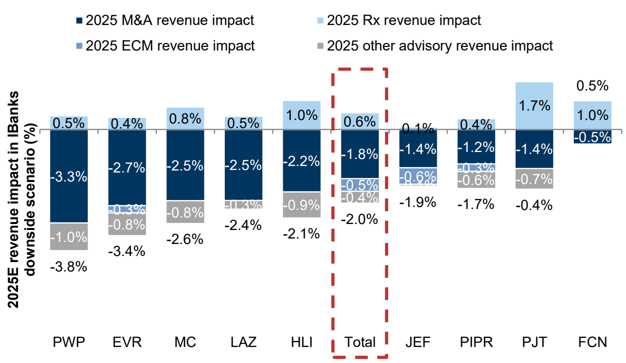
12-month price target of $207 is based on a 26.5X P/E multiple of Q5-Q8 EPS. Risks include: slower M&A activity, inability to complete backlog, large M&A deals continue to outperform SMB ones, GCA Corp integration does not go as planned.

Catalysts.

Yaro looks for additional deal announcements given the company typically conducts up to 3 deals per year. He expects these could be received well by the market, if the company continues its proven track record of synergistic and product-enhancing transactions.

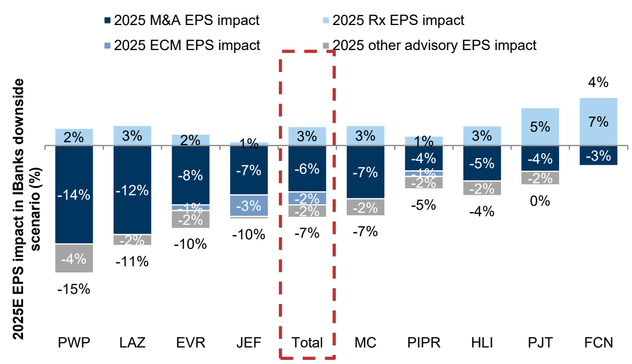
Key Charts.

Exhibit 28: Yaro sees ~2% revenue downside for IBanks in his downside scenario...



Source: Goldman Sachs Global Investment Research

Exhibit 29: ...and 7% EPS downside



Source: Goldman Sachs Global Investment Research

Relevant Research.

- May-15: "Investment Banks & Brokers: A tale of two subsectors - Retail trading momentum fears being overcome; stronger earnings for IBanks with uncertainty in timing of IBanking recovery"
- May-7: "HLI: 1Q25 EPS: A strong beat, dividend raise; well positioned no matter the macro backdrop - reiterate Buy"
- Apr-8: "Investment Banks: Derisking IBank estimates once again, and laying out an updated (further) downside scenario"
- Mar-13: "Advisors & Investment Banks: The investment banking recovery appears to be pushed out; reduce estimates, and frame the downside scenario"

Insmed Inc. (INSM)- covered by Andrea Newkirk

A product portfolio company emerging - at an inflection point

INSM is on the verge of becoming a three-tiered multi-product commercial-stage biotech company with an initial focus in rare pulmonary diseases – an inflection point that has traditionally led to more predictable earnings and multiple expansion for Biotech stocks. The company's existing in-market drug – Arikayce in refractory NTM – continues to grow and there are expansion opportunities into earlier line settings. Additionally, Andrea Newkirk believes INSM has the potential to add two more drugs to its commercial stage portfolio over the next few years, starting with brensocatib in August 2025, creating a powerful earnings engine that should also be attractive to potential Biopharma companies looking to replace depleting drug portfolios.

- **Market expansion opportunity for brensocatib.** INSM's brensocatib treatment for bronchiectasis – a pulmonary disease – already received positive Phase 3 trial results, but Newkirk believes the drug is still underestimated in both how it can treat patients across the disease severity spectrum and its potential reach. Brensocatib is an oral once daily tablet that reduces pulmonary exacerbations, slows lung function decline, and improves quality of life, while being safe and well tolerated. And Newkirk's KOL (doctors who treat patients with bronchiectasis) conversations suggest rapid prescribing for severe bronchiectasis patients and immediate interest in expanding use to mild/moderate patients which could more than double the addressable population. The drug also has the potential for expansion into additional adjacent neutrophil-mediated diseases, including asthma, COPD, CRSsNP, HS, lupus, and rheumatoid arthritis.
- **Strong catalyst path for TPIP, laying the groundwork for a third blockbuster.** The company's drug for pulmonary arterial hypertension (PAH) and pulmonary hypertension associated with interstitial lung disease (PH-ILD) had solid Phase 2 results, and Phase 2 PAH data are expected in June 2025 where Newkirk is positive given compelling blinded blended data shared to date, the sum of which should support a Phase 3 registrational program in PH-ILD scheduled to commence in 2H25. Plus, Newkirk believes TPIP is mechanistically de-risked per competitor data with an opportunity to be a best-in-class (1x/day vs. 4x/day administration with favorable safety, tolerability, and efficacy) drug, which would support a $2bn+ peak sales opportunity, per management's estimates (GSe of $2.6bn). Newkirk's KOL conversations suggest physicians view TPIP as an impressive drug with a superior profile, logistical easiness and potential for markedly better efficacy that could overstep competitor treatments and expand the market.
- **INSM's commercial/late-stage pulmonary portfolio is attractive to biopharma companies.** With management estimates of $8bn+ in peak sales for Arikayce, brensocatib, and TPIP (GSe of $11.5bn for Arikayce, brensocatib, and TPIP), INSM is an attractive target for biopharma companies with upcoming loss of drug patent exclusivities looking for near-term revenue.

Where we are different.

Newkirk conducted a round of KOL checks at recent medical meetings for refreshed views on brensocatib's clinical profile and how physicians would utilize the drug, assuming approval (August 12 target date). Based on her conversations, she conservatively estimates a peak global sales opportunity in bronchiectasis of $6.7bn in 2034 (above management's estimates of $5bn+), and sees scope for significant upside given multiple levers (penetration, addressable population, and range of pricing). Newkirk also thinks the Street is not yet fully appreciating the magnitude of the opportunity, and expect there to be a re-rating as (1) investor diligence picks up ahead of launch (diagnosis and identification of patients is not a hurdle, whilst the large degree of patients with both bronchiectasis and COPD/asthma offers an expanded pool of patients to treat); (2) details on the label, pricing strategy, and launch plans emerge upon approval (3Q25); and (3) topline data from the Ph2 BiRCh trial in CRSsNP and HS, two other neutrophil-mediated diseases of large unmet need (expected by YE25 and 1H26, respectively) that each represent blockbuster opportunities, which, if positive, would start to unlock additional pipeline optionality. Further, proprietary analysis of available TPIP data increases her optimism into an upcoming catalyst in PAH (June 2025), which she sees as likely to validate the drug's clinical profile, while additional KOL conversations support the potential for TPIP to become the preferred prostanoid agent-of-choice in PAH and PH-ILD.

Valuation.

12-month price target of $100 based on a 70%/30% blend of DCF value of $99 (12% WACC; 2% TGR) and M&A theoretical value of $101 (11x 2027E sales based on historical multiples on biotech transactions, consistent with the framework used across the Goldman Sachs biotechnology coverage). Downside risks include: i) Clinical/technology risk: Negative trial outcomes could put pipeline assets at risk and failure to expand use in additional indications would limit the commercial opportunity; ii) Regulatory risk: Failure to obtain regulatory approvals could lead to a lack of commercial success in the US and ex-US and pose significant downside risk to GS sales estimates; iii) Competitive risk: potential competitive threats across multiple indications. Should patents be challenged, commercial success could be at risk. iv) Financing risk: INSM is not currently profitable and will likely need to turn to the capital markets to fund operations (e.g. R&D expenses for asset development and clinical trials; SG&A costs to support hiring of additional personnel). Failure to raise additional funding would be an impediment to INSM's ability to complete development and commercialization of product candidates.

Catalysts.

Brensocatib approval (August 12 PDUFA) in bronchiectasis; Ph2 TPIP data in PAH (June 2025); Ph3 TPIP trial initiation in PH-ILD (2H25); Ph2 brensocatib data in CRSsNP (YE25); Ph3 Arikayce ENCORE data in 1L NTM (1H26); Ph2 brensocatib data in HS (1H26).

Key Chart.

Exhibit 30: Brensocatib peak sales opportunity implied across a range of US peak penetrations and annual price

Red outline indicates peak sales opportunities in excess of management's $5bn+ estimates

Brensocatib price ($)	Peak Penetration, US Market (FY2034)									
	5%	10%	15%	20%	25%	30%	35%	40%	45%	50%
$40,000	$1,195	$2,390	$3,585	$4,780	$5,974	$7,169	$8,364	$9,559	$10,754	$11,949
$45,000	$1,344	$2,689	$4,033	$5,377	$6,721	$8,066	$9,410	$10,754	$12,098	$13,443
$50,000	$1,494	$2,987	$4,481	$5,974	$7,468	$8,962	$10,455	$11,949	$13,443	$14,936
$55,000	$1,643	$3,286	$4,929	$6,572	$8,215	$9,858	$11,501	$13,144	$14,787	$16,430
$60,000	$1,792	$3,585	$5,377	$7,169	$8,962	$10,754	$12,546	$14,339	$16,131	$17,923
$65,000	$1,942	$3,883	$5,825	$7,767	$9,708	$11,650	$13,592	$15,534	$17,475	$19,417
$70,000	$2,091	$4,182	$6,273	$8,364	$10,455	$12,546	$14,637	$16,728	$18,820	$20,911
$75,000	$2,240	$4,481	$6,721	$8,962	$11,202	$13,443	$15,683	$17,923	$20,164	$22,404
$80,000	$2,390	$4,780	$7,169	$9,559	$11,949	$14,339	$16,728	$19,118	$21,508	$23,898
$85,000	$2,539	$5,078	$7,617	$10,157	$12,696	$15,235	$17,774	$20,313	$22,852	$25,391
$90,000	$2,689	$5,377	$8,066	$10,754	$13,443	$16,131	$18,820	$21,508	$24,197	$26,885
$95,000	$2,838	$5,676	$8,514	$11,351	$14,189	$17,027	$19,865	$22,703	$25,541	$28,379

Source: Goldman Sachs Global Investment Research

Relevant Research.

- May-9: "INSM: 1Q EPS; Pipeline to take center stage in mid-25+"
- Apr-28: "INSM: Positive into upcoming Ph2b PAH data and broader TPIP opportunity"
- Mar-31: "Global Healthcare: Biopharma catalysts to watch in 2Q25"
- Jan-15: "INSM: Management meeting: Near- and longer-term growth drivers set to emerge in 2025"
- Jan-8: "INSM: Previewing 2025: Brensocatib launch in focus, but robust pipeline to drive further value creation"

Johnson & Johnson (JNJ) - covered by Asad Haider

Navigating a patent cliff to a higher stock price

JNJ is a stable, defensive grower with the industry's strongest balance sheet allowing for continued high-ROIC investments in the Innovative Medicines segment to augment revenue growth. In particular, look for JNJ to offset its loss of exclusivity (LOE) on its drug to primarily treat inflammatory bowel disease (IBD) — Stelera (18% of innovative Medicine revenue) — with a combination of a replacement drug —Tremfya — and stronger-than-realized profits from other approved existing commercial stage drugs, coupled with a strong pipeline of trial-stage drugs to treat a wide range of ailments, including IBD, psoriasis, neuropsychology, multiple myeloma, and lung cancer. Additionally, JNJ's sector-high balance sheet capacity — $80bn — positions it well to further supplement growth through acquisitions.

- **Stelera LOE is manageable.** JNJ's immunology drug, Stelera, went off patent this year exposing the market to lower cost generics jeopardizing $10bn+ of revenue for the company. But JNJ has a next-generation drug, Tremfya, that the company has been focused on to replace Stelera in IBD and could significantly offset the loss of revenue from Stelera. Asad Haider forecasts Tremfya sales growing to $8.3bn in 2030 (vs. VA consensus forecasts of ~$7bn, and management's framing of this drug as $10bn opportunity). Haider notes that JNJ's recent 1Q25 earnings results give him increased confidence in this dynamic, with impressive performance across the Innovative Medicines business, registering 4.2% operational growth despite a ~810bp negative impact from Stelara declines.
- **JNJ has a strong pipeline.** JNJ is in the early innings of multiple new biopharma product cycles across a range of therapeutic areas. Haider estimates meaningful revenue opportunities with upside potential in drugs to treat Multiple Myeloma, lung cancer, immunology, and neuroscience maladies among a range of others.
- **Inorganic growth opportunities.** In addition to in-house drug revenue visibility, JNJ is also positioned to supplement organic growth through strategic M&A, utilizing its sector-leading balance sheet capacity of $80bn. The recent acquisition of Intra-Cellular Therapies highlights JNJ's aim of being the #1 neuroscience company by 2030. Indeed, with its 1Q25 results, JNJ actually RAISED its FY25 sales guidance by $1.8bn driven by a combination of acquired revenue (Caplyta from Intra-Cellular) and favorable FX movements (JNJ derives 43% of FY24 sales outside the US).

Where we are different.

Haider believes consensus is under-appreciating the trajectory of the Innovative Medicine business (~65% of revenues vs. MedTech 35%, but a disproportionate 83% of profit, and hence more important for the materiality of the stock) as the company laps the Stelara cliff into numerous new product cycles across multiple large markets such as IBD, psoriasis, neuropsych, multiple myeloma, bladder cancer and EGFR mutated non-small-cell lung cancer. He notes that historical analogs show that Pharma stock multiples tend to trough ~1-year ahead of major LOEs, which could bode well for JNJ if this pattern is followed.

Valuation.

12-month price target of $176 is based on a 15.5X P/E multiple of Q5-Q8 estimated EPS. Risks include: A slower ramp on new product launches, Talc litigation, changes to US policy on tariffs, taxes, Medicaid and Medicare.

Catalysts.

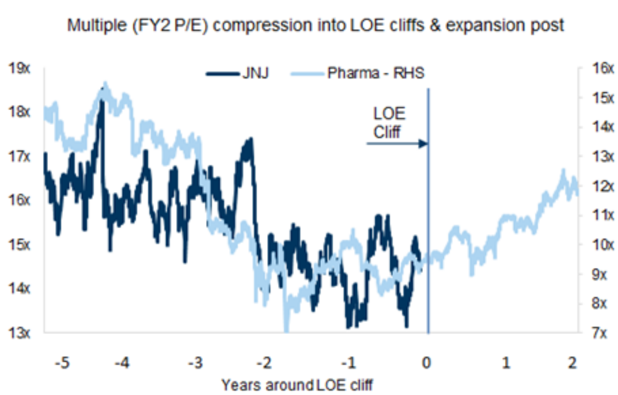
Exhibit 31:

Timing	Drug	Event Type	Indication
Clinical Data Presentation			
2025	AKEEGA	Ph III Data	M1 Metastatic Castration-Sensitive Prostate Cancer (AMPLITUDE)
2025	Tremfya	Ph III Data	Psoriatic Arthritis Structural Damage (APEX)
2025	**icotrokinra**	**Ph III Data**	**Psoriasis (ICONIC- TOTAL)**
2025	**icotrokinra**	**Ph III Data**	**Psoriasis (ICONIC- Advance 1/2)**
2025	**TAR-200**	**Ph II Data**	**Non Muscle Invasive Bladder Cancer (SunRISe-1)**

Source: Company data, Goldman Sachs Global Investment Research

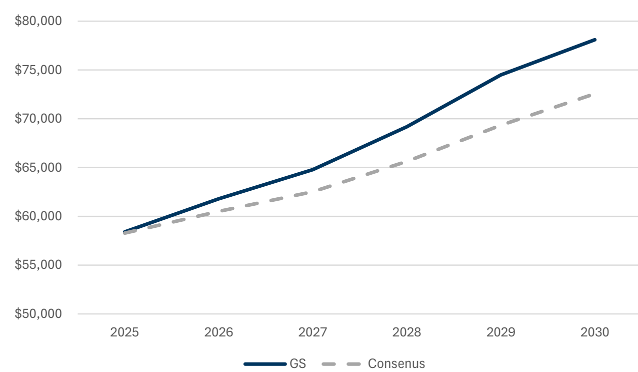
Key Charts.

Exhibit 32: Timing Cliffs: Pharma's historicals show multiple peak ~5-yrs prior to major cliff and trough ~1yr before - JNJ is closely following this pattern



Source: Goldman Sachs Global Investment Research, FactSet

Exhibit 33: Innovative Medicines Business Revenue - GSe vs Consensus (Visible Alpha) ($ in mn)



Source: Visible Alpha Consensus Data, Goldman Sachs Global Investment Research

Relevant Research.

- May-14: "Pharmaceuticals: Assessment Of CMS Draft Guidance For 2028 IRA Price Negotiations"
- May-13: "JNJ: Management's Sellside Call With Leading KOLs Underscores Strong Tremfya Momentum"
- May-5: "JNJ: TAR-200 Buyside NDR Underscores Bladder Cancer Opportunity"
- May-2: "JNJ: TAR-200 Primer: Bladder Cancer Emerging As Another Significant Opportunity"
- Apr-17: "Pharmaceuticals: Notes From The Road: Tariff Uncertainty Continues;

Orforglipron Delivers"

- Apr-15: "Johnson & Johnson (JNJ): 1Q25 Earnings Recap: The Power Of The Pharma Portfolio On Display"
- Apr-14: "Research Unplugged: The State of Healthcare in 2Q25+, A discussion on macro, policy and micro factors that are top of mind"
- Apr-8: "Pharmaceuticals: Navigating Uncharted Waters: Assuming coverage of LLY, JNJ, MRK at Buy, and ABBV, BMY, PFE at Neutral"
- Apr-8: "JNJ: Lean Into The Strengthening Pharma Franchise Of Defensive Bellwether; Assuming Coverage with a Buy"

Kodiak Gas Services Inc. (KGS) - covered by John Mackay

An underappreciated steady cash flow compounder with a compelling market position

KGS benefits from a strong macro backdrop for natural gas compression, and offers investors a solid beat-and-raise track record, ongoing capital discipline, widening FCF flexibility, and overall impressive execution. The company holds a strong position in the nat gas compression market in the US shale oil fields that John Mackay believes will prove to be more sustainable in an uncertain nat gas tape than the market appreciates – particularly the Permian Basin in West Texas and New Mexico where KGS has a blue-chip customer base. Along with pricing power, Mackay sees a path to KGS generating ~$260 mn of free cash flow in 2026, giving it a forward FCF yield of 8%.

- **Enduring demand.** Demand remains strong for the compression services which E&Ps and midstream operators need to get gas to market. Permian production growth is also proving to be more resilient than many appreciate. XOM, in particular, is a big customer for KGS (PXD was KGS's largest customer), and XOM is unlikely to change its production plans based on temporary supply announcements from OPEC.

- **Pricing power. Pricing is strong for KGS.** Capital discipline among its peers continues to keep compression supply tight, and management has indicated that it is not seeing meaningful new entrants on the private side, helping to insulate supply discipline. In fact, the largest competition remaining may be more from customers wanting to do KGS's service in-house vs. from its outsourcing peers — affording KGS an opportunity to cherry pick customers with higher margin opportunities. Against this backdrop, Mackay sees KGS rolling prices from ~$20 today to the mid-to-high $20s over the next several years.

- **Cash flow generator.** Cash generation and flexibility at KGS is underappreciated. The ability to recontract at higher prices with customers while costs are holding more stable should drive strong free cash flow throughout his forecast period. Management reaffirmed, with its latest results, high single digit EBITDA growth expectations beyond 2025, illustrating confidence in its overall HP fleet and margin improvement from here. Look for the company to return 35% of DCF to shareholders (before capex) largely in the form of dividends.

Where we are different.

Mackay believes market concerns on the macro backdrop for compression are overblown: He believes demand for compression will be largely insulated from increasing crude price volatility, and that competition from midstream operators moving compression in-house will be limited. For the first, while he agrees that US shale overall is maturing, there will still be significant natural gas supply growth – notably in the Permian where increasing gas-to-oil ratios allow for growth even if oil production is flatter. This will require continued high levels of compression deployment to move this gas to market. Second, on competitive pressures, Mackay's analysis of compression unit economics and alternative capital deployment options for midstream operators suggests that pricing is unlikely to be significantly impacted by recent in-housing efforts.

Valuation.

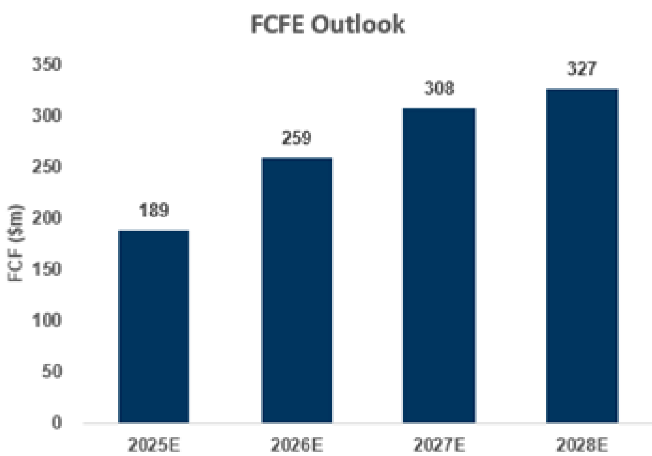
12-month price target of $44 based on an 8.25x multiple of 2026 estimated EBITDA. Risks include: 1) reduction in natural gas/oil demand, 2) higher input costs, 3) extreme supply chain constraints, 4) market discipline, 5) sponsor ownership concentration and term loan, and 6) limited track record.

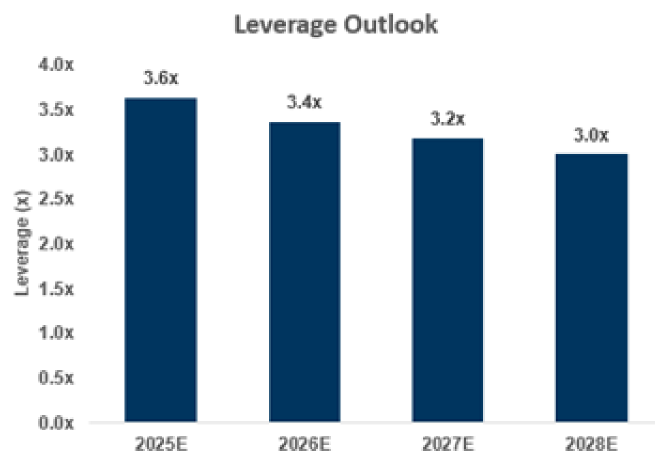
Catalysts.

Mackay sees several upside drivers for the stock from here: 1) Pricing: Mackay expects strong sequential pricing improvement with upcoming 2Q25 earnings; 2) Margins: Similarly, Mackay looks for strong margin expansion in the quarter with both pricing increasing but also with demonstrated cost control, which should give confidence in 2025 guidance execution and longer-term upside. 3) Capital returns: With their increasing FCF generation, KGS has increasing flexibility to return cash to shareholders, and Mackay looks for commentary from management around their ability to continue to lean into the buyback, particularly as the stock now trades below peers.

Key Charts.

Exhibit 34: Look for strong FCF growth to fuel deleveraging over the next 4 years





Source: Company data, Goldman Sachs Global Investment Research

Relevant Research.

- May-22: "Takeaways from Dinner with Management at EIC - Remains Top Smid-Cap Pick in Midstream"
- May-22: "Key Takeaways from EIC - Day 1: AM, DTM, ET, HESM, KGS, KMI, MPLX, PAA, WMB"

Mid-America Apartment Communities (MAA) - covered by Julien Blouin

Sunbelt migration beneficiary at a good time in the supply cycle

MAA is well positioned to benefit from ongoing US internal migration to sunbelt states (including TX, NC, and FL) at the same time as the post-pandemic apartment building surge appears to have peaked and is now receding. Evidence of a positive upturn in rental fees is starting to emerge. And Julien Blouin looks for demand to outpace supply in sunbelt markets in 2025 allowing for improved pricing power.

- **Sustained demand for apartments.** Demand remains very strong across MAA's markets heading into peak leasing season. 1Q25, for example, saw the second highest 1Q leasing demand ever in their markets, driven by years of outsized migration and employment growth in sunbelt markets now coupled with the affordability advantage of apartment renting versus the cost of homeownership. And employment growth in sunbelt markets has been holding up better than other areas of the country in recent months. Rents still appeared to decline yoy in 1Q25 in the sunbelt, but the second derivative has turned positive and positive yoy growth appears close after being in decline for the past 2 years.
- **Supply growth slowing.** New apartment supply growth in sunbelt markets is slowing down rapidly. And the gap between absorption — how many apartment units are being rented (48k units) and deliveries — how many new units are coming onto the market (53k units) in 1Q25 is the smallest since 2H21. Sunbelt markets where absorption is already exceeding supply include Miami, Charlotte, Orlando, and Austin.
- **Recession risks ringfenced.** While housing is not immune to a recession, apartments tend to be more affordable than owned homes providing a trade down positioning. Plus, MAA's sunbelt locations have seen employment hold up relatively better than other parts of the countries during the most recent downturns, including the 2008 GFC and the 2001-02 recession.

Where we are different.

Blouin's 2025 Core FFO is 1% ahead of Visible Alpha Consensus Data driven by higher rent growth assumptions as we enter peak leasing season (May – Aug), resulting in higher same store revenue growth and same store NOI growth estimates.

Valuation.

12-month price target of $192 is based on a Q5-Q8 target FFO multiple of 20.6x. In addition, MAA carries a ~3.5% dividend yield. Risks include: Greater-than-expected supply pressures, deterioration in demand, acquisition volumes/yields lower, and property operating expense growth.

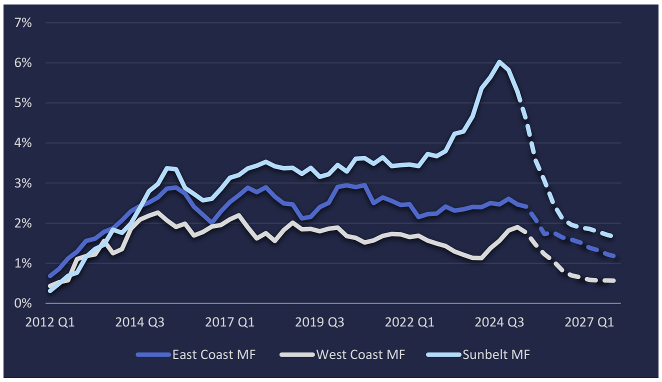
Catalysts.

Blouin expects pricing power could begin to accelerate during peak leasing season (May-Aug), where he expects rent growth updates to be provided during NAREIT

Conference (first week of June '25) and 2Q25 earnings.

Key Charts.

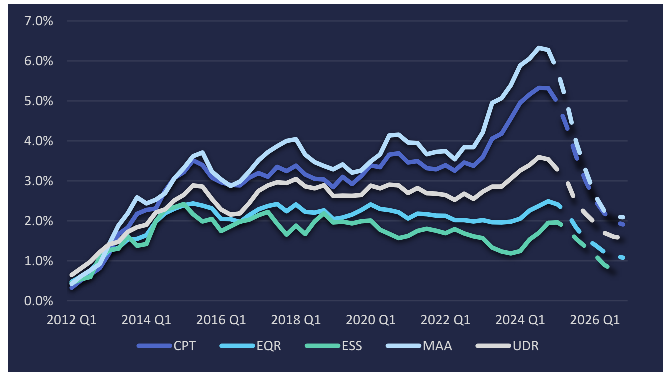
Exhibit 35: Sunbelt supply is expected to decline through '25
Multifamily supply as % of inventory, Resi REIT market-weighted, since 2012



Single family estimates are based on total single family permitting data

Source: CoStar, Goldman Sachs Global Investment Research

Exhibit 36: Sunbelt supply will drop precipitously in 2025/26
MF supply as % of inventory, MF REIT exposure weighted, since 2012



Estimates are based on GS forecasts for housing starts

Source: CoStar, Goldman Sachs Global Investment Research

Relevant Research.

- May-23: "Real Estate: Sunbelt Resi Field Trip Takeaways"
- May-1: "MAA: Updating estimates and increasing price target"
- Apr-16: "1Q25 Residential REITs Preview: Sunbelt better insulated from macro uncertainty"
- Mar-20: "REITs: 1Q25 Residential Realtime Update"
- Feb 26: "Mid-America Apartment Communities (MAA): Updating Price Target"
- Feb-6: "Mid-America Apartment Communities (MAA): Updating estimates and increasing price target"

OneStream Inc. (OS) - covered by Adam Hotchkiss

Early-stage growth compounder modernizing the Office of the CFO

OS is a sustainable 20%+ growth software business helping CFOs and broader Finance organizations across end markets modernize their operations through more effectively leveraging core finance and operational data. Adam Hotchkiss looks for OneStream to benefit from recent platform innovation to reaccelerate growth off trough levels that he anticipates are priced into the second half of CY25, particularly given management has recently addressed barriers to customer adoption/expansion including implementation burdens (through CPM Express product), configurability limitations (through Genesis, SensibleAI Studio launches), and usability limitations (no-code Agentic AI). OneStream's innovative capacity is a core differentiator in a space dominated by legacy offerings and fragmented point-solutions, in his view, driving a multi-billion dollar annual revenue opportunity with mature SaaS margins longer-term.

- **OS best positioned to leverage rapidly evolving technology.** OneStream's exposure to the Microsoft technology stack and commitment to rapidly integrating AI across its data platform is likely to further widen the company's moat vs. peers as technology evolves, which increases the likelihood of the platform becoming more ubiquitous (akin to what we have seen with core platforms like ERP) in complex finance organizations over time. In particular, OneStream's recent focus on functionality and usability of the Core Platform (e.g. new Agentic AI functionality, data integrations) and platform extensibility to broader applications (through OS Solution Exchange and 1st party OneStream IP like ESG reporting) highlights the rapidity with which OS is able to address additional customer needs through new applications. New product releases, management commentary and customer discussions at the company's recent Splash 2025 user conference (takeaways here) reinforced these views.
- **Express product adds to growth upside and defensibility in a more uncertain macro.** With OS FY25 guidance implying ~18% revenue growth in the second half of the year (vs. 24% in Q1) and yoy growth comps easing through the year, Hotchkiss thinks initial traction of OneStream's CPM Express product, which allows customers to realize value in as little as 8 weeks (vs. many custom implementations taking 6 months or longer), is a key driver of growth defensibility and upside. This is likely to aid growth in net new customers after slower activity in large transformational projects across the industry over the last 1-2 years.
- **Cloud ERP upgrade cycle should benefit adjacent technologies like OneStream.** With companies globally increasingly adopting cloud versions of core ERP systems (e.g. SAP Cloud ERP revenue grew 33% yoy ex-fx in Q1), modernization of Finance systems is likely to benefit OS as CFOs increasingly look to leverage their data in a cloud environment. Growing Enterprise referenceability (~15% of software revenue was from the Fortune 500 as of Q1 2024) has the potential to complement OneStream's success in the mid-market, and OS has a wide-breadth of geographical and end-market exposure.

Where we are different.

Hotchkiss believes consensus is under-appreciating OneStream's ability to become the market-leader within the Office of the CFO for Enterprise (which should benefit from increasing referenceability and platform innovation), and take on more market-share within the mid-market through the company's CPM Express product. Hotchkiss is 1%/2% ahead of the Street (Visible Alpha Consensus Data) on FY26/27 Software revenue which he believes will incrementally flow-through to an improving margin profile over time as the company scales.

Valuation.

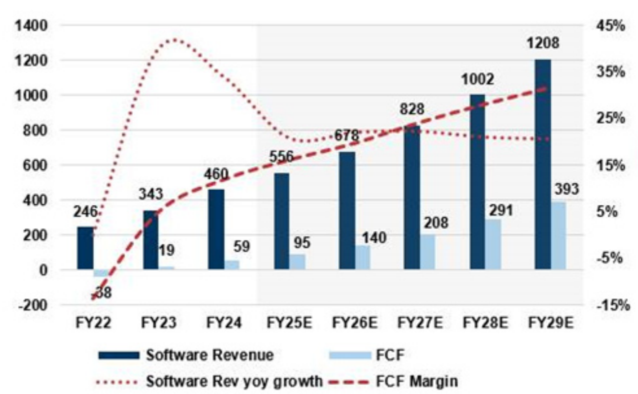
12-month price target of $33 is based on an 11.0X EV/Sales multiple of Q5-Q8 estimates. Risks include: Headline risks from deal delays, longer sales and implementation cycles during macro uncertainty, elevated sales and marketing intensity impacting margin profile, and competitive intensity as other providers expand product portfolios.

Catalysts.

OneStream's CPM Express product, which reduces implementation times, should be a key differentiator across the mid-market (particularly in the current demand environment for back-office software that emphasizes shorter time-to-value). OneStream's AI-innovation (no-code Agentic AI) could further differentiate the platform as CFOs become more willing to integrate AI-technologies. Lastly, OneStream's 2Q EPS print where Hotchkiss anticipates the company could raise FY25 guidance after the 1Q beat & reiteration, which we largely attribute to market uncertainty.

Key Charts.

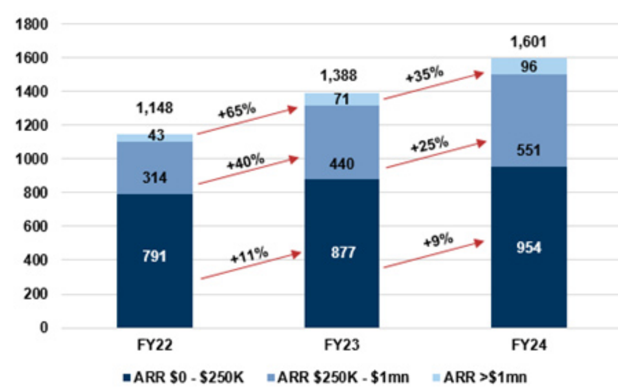
Exhibit 37: Hotchkiss believes revenue growth will be complemented by significant FCF generation over time…



$'s are in millions

Source: Company data, Goldman Sachs Global Investment Research

Exhibit 38: …and views large contract value customer growth as a positive



Source: Company data

Relevant Research.

- May-27: " Emerging Software: Key Themes Emerging from 1Q results: Revisiting

Top Ideas; Buy OS, VERX, WAY"

- May-16: "OS: Splash 2025: Conference & Management Meeting Reaffirm our Long-Term Conviction"
- May-9: : "OS: 1Q25: Forward-looking growth indicators healthy, debate likely to materialize around 2H upside; Remain Buy"
- Apr-16: "Emerging Software: Assessing potential implications of a changing operating environment"
- Dec-11-24: "OS: Durable, premium growth opportunity through modernizing the Office of the CFO; Initiate at Buy"

Philip Morris International Inc. (PM) - covered by Bonnie Herzog

Leading the cigarette industry to a smoke-free future & best positioned to win in the US over the next decade+

PM is an underappreciated growth story in the secularly declining cigarette industry that is innovating its way to sustained expansion. PM's intense focus on transforming its business to smoke free alternatives (IQOS & ZYN) away from combustible cigarettes should make it a faster growing and more profitable company benefiting from an accelerating volume, revenue, and profit pool in the global nicotine market. This will allow PM to sustain long-term +DD EPS growth as it pushes toward its goal of becoming two-thirds smoke-free by 2030. PM is best-positioned among peers given its first-mover advantage in heat-not-burn with IQOS, dominance of the nicotine pouch category with ZYN, established manufacturing and marketing scale in reduced-risk products (RRPs), unmatched R&D in RRPs (>$12.5B invested since 2008), and direct exposure to the US market – the world's largest and most lucrative nicotine market, with a profit pool valued at over $25B (per PM) and ~34M adult smokers still to convert.

- **A long runway for IQOS and ZYN to drive profitable growth in the US.** Bonnie Herzog sees a long runway of accelerating growth ahead fueled by the tremendous compounding effect of IQOS' razor/razor blade model. Also, look for PM to drive further price segmentation of IQOS, which is key to penetrating lower-income markets globally and increasing new user acquisitions. As PM's US growth comes into focus, look for profits to grow even faster as IQOS' average net rev/unit is ~4x greater than PM's international combustible cigarettes (and ~5x greater on gross profit) and ZYN's gross profits in the US are ~8x greater than PM's int'l combustible cigarettes. Assuming FDA authorization of ILUMA is granted, Herzog expects PM to be the biggest winner over the next decade in the highly lucrative US market. She expects ILUMA to comfortably win a 10% share of total US cigarette & HTU volume in the next decade and forecasts PM's US nicotine profits will increase by a 19.0% CAGR reaching a 20.0% share of total US market nicotine profits (vs a 4.2% share today) over that time period. Furthermore, she sees opportunity for ZYN to expand outside the US, fueling another leg of growth.
- **Robust smoke-free innovation pipeline and superior technology - New products provide support for the long growth runway.** Beyond the US, look for further upside potential from a broader and more aggressive global roll-out of PM's IQOS platform (ILUMA, BONDS, VEEV ONE, VEEV NOW, LEVIA) led by ILUMA – a heat-but-not-burn IQOS upgrade that removed a pain point for consumers, creating a stronger, bladeless and effortless experience and accelerates conversion from combustible cigarettes. ILUMA is currently available in more than 60 markets and is anticipated to be introduced into the US market in 2H25 assuming FDA authorization – a potential positive catalyst for accelerated revenue and profit growth.
- **Near-term momentum backs up long-term path.** Q1 results were very strong and management raised their FY25 dollar EPS growth guidance to 12-14% (up from 7.2-9.1% prior) highlighting strong underlying momentum and management's

confidence into the company's growth trajectory.

Where we are different.

While there is some debate about whether IQOS will ultimately resonate with the US consumer, Herzog believes ILUMA, once authorized, will make a considerable impact with US adult smokers, similar to its impact in the 60+ markets ILUMA is now available in. Herzog's insights into the US nicotine market are supported by: (1) her proprietary deep-dive analysis on the US nicotine market & DCF work on the US opportunity for PM, and (2) feedback from her 'Nicotine Nuggets' retailer contacts that provides 'real-time' insight into PM's brands as they evolve in the US.

Valuation.

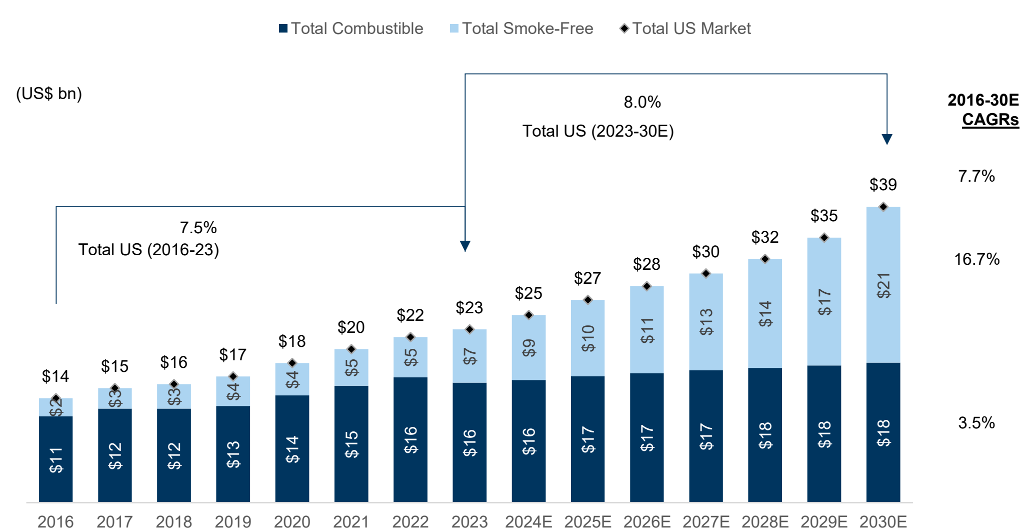
12-month price target of $190 is based on an equal-weighted P/E multiple of 22.0x and an EV/EBITDA multiple of 16.5x, both on Herzog's Q5-Q8 estimates. Key risks include: Competition risk, particularly from smoke-free alternatives; Regulatory & Legislative risk; execution risk on the expansion of iQOS, supply chain disruptions; Economic risk given PM's premium pricing and duty-free channel.

Catalysts.

Herzog highlights a catalyst-rich path, including: (1) the potential introduction of ILUMA to the US market in 2H25 following an anticipated FDA authorization; and (2) easing supply constraints for ZYN in the US.

Key Chart.

Exhibit 39: US Nicotine Industry Op Profit
2016-2035E



Source: Company data, Goldman Sachs Global Investment Research

Relevant Research.

- Apr-23: "PM: A strong Q1 beat as PM continues to operate from a position of strength; FY25 $ EPS growth guidance raised to DD - Reiterate Buy"
- Apr-16: "Consumer Staples: Analyzing GFC trends to identify winners & losers in case of a US recession - Reiterate Buy on PM, MNST, MDLZ"
- Apr-14: "Nicotine Nuggets" Q1 survey – Caution mounts against increased economic pressures & uncertainty"
- Mar-11: "Tobacco: Deep dive on US nicotine market - Who's best positioned to win over the next decade+"
- Feb-19: "PM: CAGNY presentation showcases PM's smoke-free transformation to faster, more profitable growth"
- Dec-10-24: "Consumer Staples: 2025 Outlook: Focus on vol/mix growth amid a more constructive consumer backdrop"
- Nov-13-24: "Accelerating growth & margin expansion primes PM as a top pick heading into 2025 - Reiterate Buy"
- Jan-25-23: "Upgrade to Buy - We see a stepped-up growth algo & compelling risk/reward as PM enters the important US market"

Pinterest Inc. (PINS) - covered by Eric Sheridan

Well-positioned profitable compounder in the digital advertising space

Eric Sheridan believes PINS is set up well to continue to compound topline growth at a mid-to-high teens percentage pace and drive steady adjusted EBITDA margin expansion of ~200-300bps/year for the next 5 years, both of which are above current buyside expectations and put the company on a path to GAAP EPS that implies the stock is trading at an attractive P/E multiple looking out over the next 2-3 years (currently trading at ~25x GSe '27 GAAP EPS, despite growing GAAP EPS at a ~45% 2-year CAGR). Key drivers include: (1) ARPU growth of existing users through expanded advertising offerings; and (2) better engagement; all of which should help to drive (3) high incremental margins that should be further supplemented by cost containment.

- **Several levers for monetization growth.** Sheridan sees a number of levers for Pinterest to drive steady ARPU growth of its existing user base, including: a) continuing to build out its direct-response ad business through success in onboarding shopping/commerce advertisers, scaling its Mobile Deep Links & Direct Links products and growing adoption of measurement/attribution tools (Conversions API, etc.); b) scaling of 3P demand partnerships including Amazon, Google and potentially others; and c) diversifying its advertiser base to include new verticals and SMBs, helped by its Performance+ campaign automation tools – all to drive ad auction density.
- **Continued healthy user growth & engagement trends.** Channel checks point to steadily improving user growth and engagement trends at Pinterest, including in key demographics such as younger users and on its mobile app. 1Q25 results delivered healthy revenue growth for PINS, above the high end of its guided range, and while the debate around the sustainability of ad spending and user engagement in an economy of uncertainty is likely to linger, management recently framed the current macroeconomic environment as overall healthy with respect to advertising but with signs of more discerning consumer spend (which might present as an opportunity for PINS as consumers pivot toward more considered purchases).
- **Look for compounded EBITDA margin expansion over the next 3-5 years.** Sheridan estimates PINS can exceed its original margin targets (given during its September 2023 Analyst Day) of ~30-34% adjusted EBITDA margins over the next 3-5 years and achieve ~150-200bps/year of adjusted EBITDA margin expansion through high incremental margins (~50-50%) and a management team committed to maintain moderate expense growth.

Where we are different.

GS is currently above Street estimates on forward operating leverage & margin expansion (by ~50-100bps in '25-'27E).

Valuation.

12-month price target of $42 is based on an equal blend of: (1) 4.5X EV/Sales applied to

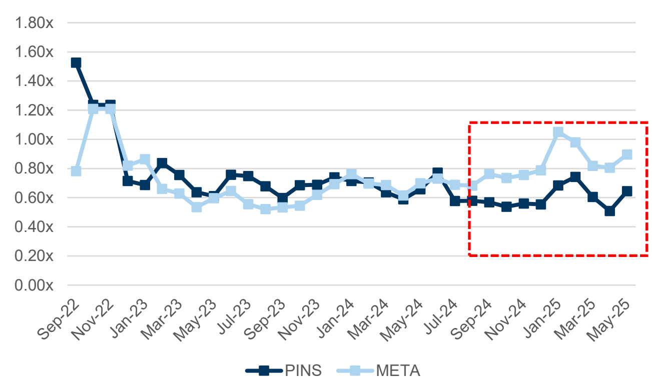
Sheridan's NTM + 1 year estimates; and (2) a modified DCF using an EV/GAAP EBITDA multiple (28X) applied to his NTM + 4 year estimates discounted back three years. PINS screens among the highest upside / downside skew within Sheridan's coverage at ~3x. Risks include: macroeconomic headwinds impacting the advertising market; MAU growth fails to stabilize and/or continues to trend lower post-pandemic; international monetization falls short; execution; and increased regulatory scrutiny.

Catalysts.

Upcoming channel checks on ad spending trends, particularly amongst core retail/eCommerce and CPG/Food & Beverage verticals.

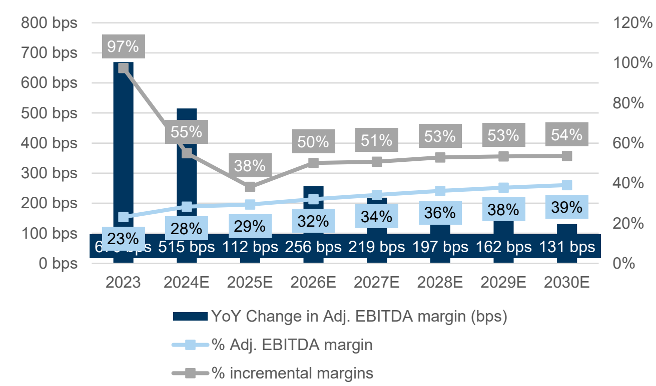
Key Charts.

Exhibit 40: PINS' current 0.22x EV/EBITDA-to-growth discount to META is the largest since PINS became a public company in 2019
EV/NTM EBITDA-to-Growth



Source: FactSet; data compiled by Goldman Sachs Global Investment Research

Exhibit 41: GS forecasts PINS will expand Adj. EBITDA margins by ~200-300bps/year over the next 5+ years
GSe Adj. EBITDA margins; 2023-2030E



Source: Company data; Goldman Sachs Global Investment Research

Relevant Research.

- May-9: "PINS: Q1'25 Review: Platform & Product Initiatives Build in Momentum"
- Mar-26: "Internet Creator Economy: Framing Market Opportunity, Drivers of Content Creation/Distribution & Ads/Commerce Monetization"
- Mar-10: "Internet: Q4'24 EPS Review: Where To From Here? Recapping Takeaways & Debates; Focus Stocks Going Forward"
- Feb-7: "PINS: Q4'24 Review: Entering 2025 With Momentum Around Platform Growth Initiatives"
- Jan-13: "PINS: Framing Key Investor Debates – Revenue Growth and Margin Trajectory"
- Dec-12: "Internet & Interactive Entertainment: 10 Industry Themes for 2025 & Focus Stocks Going Forward"
- Sep-16: Americas Technology: Internet: Communacopia + Technology Conference Review
- Sep-11: "PINS: Communacopia + Technology Conference 2024 — Key Takeaways"
- Jun-24: "Generative AI Part VI: Examining the Consumer Internet Landscape"

Raymond James Financial Inc. (RJF) - covered by Alex Blostein

Strong earnings outlook with exposure to a Capital Markets recovery

Alex Blostein looks for high-single-digit to low-double digit upside to RJF's FY2025-2027 consensus EPS amid an inflection in cash revenue growth; normalizing Capital Markets activity, with RJF particularly levered to US and sponsor-based M&A revenues – an area that is likely to see a meaningful recovery; and underappreciated operating leverage.

- **Cash revenue growth is set to inflect higher.** Blostein expects RJF's cash revenues (NII + Third Party bank sweep fees) to inflect higher over the course of 2025 and into 2026 on the back of stabilizing cash sweep balances, with growth likely recovering into 2025; fewer rate cuts than previously expected; and accelerating loan growth. He thinks RJF will be less asset sensitive in the current cycle relative to the prior one, with deposit and loan growth trajectory being the ultimate driver of NII for the firm.

- **Underappreciated capital markets leverage.** Given RJF's investments in the business over the last several years and a cyclical recovery in M&A volumes, Blostein thinks RJF should be able to surpass prior peak levels of revenues over the coming years. Specifically, he expects modest growth in RJF's M&A advisory business, a potential recovery in fixed income trading, and upside from equity underwriting, especially as Private Equity firms accelerate the pace of monetization activity. Blostein forecasts RJF's profitability for the segment improving back to high-teen pre-tax margin off of roughly break-even over the last year.

- **Operating Leverage.** RJF has been operating in the 19%-21% margins range since FY2021, with a medium-term target of 20%+. Meanwhile, consensus estimates imply a steady decline in margins to ~19% level. Blostein believes that part of the Street's margin decline assumption is predicated on the near-term headwinds to cash revenues, which come with high incremental margins. And he thinks this dynamic ignores potential operating margin offsets from stronger Capital Markets revenues and stabilization in cash balances that should yield re-acceleration in cash revenue growth into 2H25E.

Where we are different.

RJF's operating margins have been range bound since FY2021 at the 19-21% level, and Consensus is modeling about the same going forward. Blostein thinks this dynamic ignores potential operating margin offsets from stronger Capital Markets revenues and stabilization in cash balances that should yield re-acceleration in cash revenue growth into 2H25E. His bullish view on Cash-Revenues and I-Banking activity leaves him above consensus EPS for 2026/2027.

Valuation.

12-month price target of $173 is based on 14x Q5-Q8 P/E. Key downside risks include: lower rates, rising competition in wealth management, acquisitions/integration.

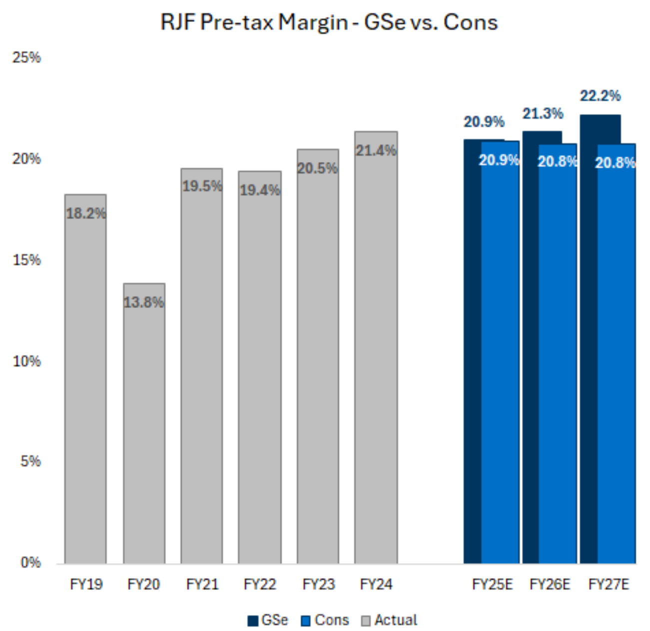
Catalysts.

Deployment of Excess Capital in the Near-term: RJF's capital ratios continue to build (13% T1L or >$2.5bn in excess capital at this point) as the firm bought back only $50mn in C4Q24. Management highlighted a more elevated pace of acquisition conversations (particularly in the Wealth space) as holding the firm back from returning capital more aggressively. If deal activity does not materialize, RJF will aim to return capital more aggressively with the goal of getting to its 10% T1L target over the next several quarters.

Key Charts.

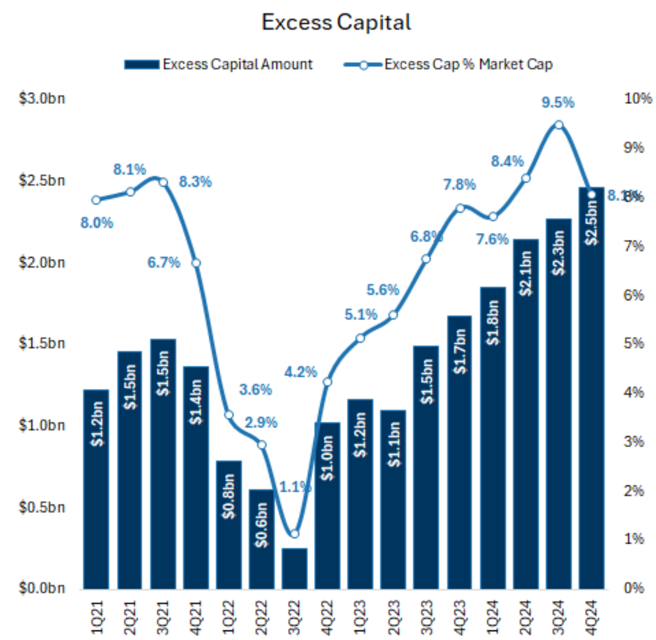
Exhibit 42: Blostein sees upside to RJF's pre-tax margins in 2025-2027

RJF's pre-tax margins - GS vs. consensus



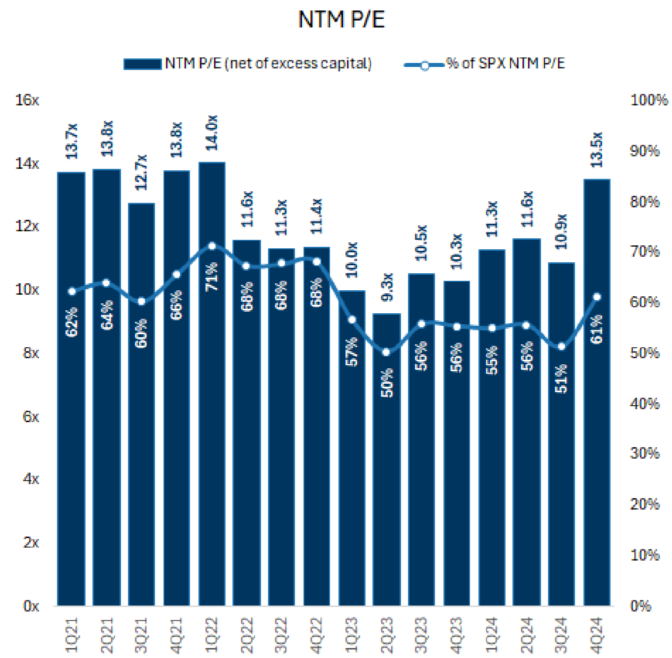
Source: Visible Alpha Consensus Data, Company data, Goldman Sachs Global Investment Research

Exhibit 43: RJF's excess capital amounts to $2.5bn or 8%-9% of the firm's market cap



Source: Company data, Goldman Sachs Global Investment Research

Exhibit 44: Normalizing for excess capital, we see RJF's NTM P/E at 14X - a ~40% discount to SPX P/E vs historical 30% discount



Source: FactSet, Company data, Goldman Sachs Global Investment Research

Relevant Research.

- May-22: "RJF: Seasonality weighs on April metrics"
- Apr-24: "Capital Markets: 1Q25 EPS Wrap-up: RJF, CME, SF, and VIRT takeaways"
- Apr-2: "Capital Markets: Macro uncertainty to pressure Capital Markets outlooks, driving EPS risks across most into 1Q25 results"
- Jan-6: "2025 Capital Markets Outlook: Reposition to balance cyclical and structural growth vs. expanded valuations"

Snowflake Inc. (SNOW) - covered by Kash Rangan

Next layer Gen-AI winner with a new CEO focused on accelerating product innovation

Snowflake's data platform for both core data warehousing and progressive AI use-cases continues to showcase strategic relevance, accelerating traction in this increasingly complex and dynamic technology-driven world, all while dispelling the narrative that perceived competition from Databricks is impeding a stronger forward growth trajectory. April quarter results saw Product Revenue +3.6% (above Consensus, implying stable +28% growth ex. leap-year vs. F4Q25), cRPO (a proxy for backlog) accelerate to +31% (vs. +27% in the prior Q), and OpM come in +400 bps above FactSet Consensus. Looking ahead, Rangan sees Snowflake upholding a durable Rule-of-50+ profile, with a path to sustain mid-20's revenue growth, given it is structurally advantaged as a long-term Gen-AI winner. Namely, Rangan believes data will be the enabling factor moving investment from the Infrastructure, to Platform, and finally the Application phase of the AI Revolution.

Long-term Gen-AI winner. Snowflake's software enables companies to maximize the structured and unstructured data their business collects. Rangan sees Snowflake as structurally advantaged in enabling Gen-AI due to its extensive data moat, augmented by the growing functional use cases provided through its platform outside core warehousing, including transactional and analytical processing, data interoperability, application development, unstructured data, data sharing, and managed AI services.

New CEO's Strategy to position well in the Modern AI Stack. Rangan believes Snowflake's new CEO, Dr. Sridhar Ramaswamy (since February 2024), has accelerated platform innovation (best evidenced by the 125+ product capabilities brought to market in Q1 and +400 in CY24, >2x the prior year), which should increase velocity and provide customers with fresh incentive to adopt a wider array of platform services going forward, presenting new vectors for consumption on top of steady core data warehousing utilization. This innovation, coupled with new, better aligned sales force incentives, should drive more predictable and reaccelerated growth.

Top FCF margin at a compelling risk-reward. Snowflake provides a rare combination of both growth and profitability at scale that Rangan believes is underappreciated by the market. On a 'Rule Of' basis (Revenue growth + FCF Margin), Snowflake operated at a Rule of 54 in FY25 (vs. 64 in FY24), with Rangan's expectations for the company to deliver a Rule of 49 profile (at least) in FY26 – placing the company in the top decile of software companies, rivaled only by MNDY, ADBE, NOW and TEAM. While Snowflake trades at parity relative to ServiceNow, which boasts a comparable Rule Of profile (and commands one of the highest multiples across Rangan's coverage) at ~13x EV/S (CY26), Snowflake should continue to command a premium multiple in the market considering the durability of its 20%+ growth profile. Rangan sees a compelling risk-reward at current levels, as Snowflake continues to execute given its higher weighting towards growth (vs. FCFM) at a lower revenue scale than NOW while also benefiting from a burgeoning AI monetization opportunity in the year-ahead.

Where we are different.

Rangan believes Snowflake is well positioned to outperform Street expectations in FY26, benefiting from a gradual ramp in Cortex AI revenue in 2H, steady growth in core data warehousing (NER mid-120's), growing contributions from Data Engineering workloads (Snowpark, Dynamic Tables, Iceberg), investments in GTM enablement for prosecuting new uses cases such as Engineering / AI (plus incentives on new consumption) and an expanding AI partnership ecosystem (Anthropic, OpenAI). Additionally, RPO growth continues to pace ahead of Product Revenue (growing +34% in F1Q to $6.7B), suggesting growing strategic commitments and the opportunity to drive broader platform standardization amongst high-budget G2K accounts. Rangan also believes that the recent investment cycle around AI has positioned the company to unlock material new revenue streams, adding growth optionality on top of a best-in-class data warehousing product where a significant on-premise migration opportunity still remains. Finally, Rangan sees Operating Margins positioned for a multi-year expansion cadence as new monetization vectors take hold following the FY25 AI investment cycle (GS modeling ~250 bps average expansion from FY26-FY29).

Valuation.

12-month Price Target of $230 is derived from an equal weighting of a DCF analysis and an EV/Sales approach based on a target 13.5x Q5-Q8 EV/Sales multiple. Key risks include: 1) Adverse changes in the IT spending environment, 2) Competition - particularly from cloud service providers (CSPs) and Databricks, and 3) Outages from reliance on CSPs.

Catalysts.

After delivering a strong F1Q26 print with a solid beat on Product Revenue (+3.6%), the continued delivery of healthy outperformance on top-line (supporting mid-to-high 20's growth) can help sure-up investor confidence that Snowflake remains favorably positioned against an increasingly competitive landscape. Continued ramp in revenue contributions from already GA products such as Snowpark and Cortex AI in F26 would augment investor confidence in Snowflake's Gen-AI positioning. Rangan sees Snowflake Summit 2025 and Analyst Day from June 2-5, 2025 as the next catalyst with expectations for the company to provide an update on its AI product adoption and future roadmap.

Key Chart.

Exhibit 45: Snowflake Continues to Exhibit Best-In-Class Rule Of Profile

	Revenue Growth (CY25)	FCF Margin (CY25)	Rule Of (CY25)
MNDY	27%	25%	53%
NOW	19%	32%	51%
ADBE	10%	40%	50%
TEAM	20%	30%	50%
SNOW	25%	24%	49%
INTU	15%	34%	49%
ADSK	13%	30%	44%
GTLB	27%	17%	44%
DDOG	21%	23%	43%
CRM	9%	33%	42%
DT	16%	26%	42%
WDAY	13%	28%	41%
ZM	3%	36%	39%
BSY	9%	29%	39%
MSFT	14%	25%	38%
RBRK	31%	5%	36%
IOT	26%	9%	36%
DBX	-3%	35%	32%
ESTC	13%	18%	32%
GTM	-1%	32%	31%
PD	6%	23%	29%
TWLO	9%	19%	28%
RNG	5%	22%	27%
PCOR	12%	15%	27%
CFLT	19%	5%	24%
TTAN	18%	5%	23%
WEAV	17%	6%	23%
MDB	14%	7%	21%
ORCL	12%	4%	15%
DH	-6%	18%	12%
U	-4%	15%	11%
BASE	10%	-3%	7%
CRWV	161%	-350%	-188%

Snowflake's Rule Of profile (Revenue Growth + FCFM) vs. Kash's coverage (based on GSe)

Source: Company data, Goldman Sachs Global Investment Research

Relevant Research.

- May-21: "SNOW: Strong Results, Guidance Despite Macro Validate Data Cloud's Strategic Relevance to Enterprise"
- Apr-24: "Software: Navigating Turbulence Part VIII: Mark-to-Market for Potential Tariff Impact"
- Apr-1: "SNOW: Takeaways From Discussion with Company"
- Feb-28: "SNOW: NDR Reaffirms Near-Term Growth Outlook and Conviction in Long-Term Positioning"
- Feb-27: "SNOW: Continued Strong Execution while Seeing Strength in Emerging

Products; Positive on Long-Term AI Opportunity"

- Jan-9: "Software: 2025 Outlook: Gen-AI Moving up from Infrastructure to the Platform and Application Layer"
- Jan-9: "Software: 2025 Bus Tour Takeaways"
- Sep-12: "SNOW: Communacopia + Technology Conference 2024 — Key Takeaways"
- Aug-25: "Gen-AI Part VIII: Catalyst or Culprit?"
- Jun-5: "SNOW: Laying the Technical and Operational Foundation to Deliver Compounding Growth Against $340B+ TAM Opportunity"
- June-3: "Cyclical or Structural: Don't Count Software Out of Gen-AI"
- Jan-21-21: "Initiation: Cloud Software Investing Framework in a $1 Trn TAM"

Uber Technologies Inc. (UBER) - covered by Eric Sheridan

A disruptor not yet ready to be disrupted

While UBER is less debated than when we introduced it to the Conviction List in January, investors remain focused on: 1) any risk to estimates from the volatility in the consumer backdrop, 2) the company's ability to balance growth and incremental margins given the lower profitability of some faster-growing areas (some International markets and new modes) and 3) the rise of autonomous vehicles (AVs), which remains a source of short-term headline risk and long-term industry debates. But against that backdrop, Eric Sheridan sees a company that can continue to deliver on its February 2024 Investor Day commitments despite the rise of autonomous vehicles (see "AV and GB growth algo deep-dive here") and models Adjusted EBITDA CAGR of +39% for 2023-'26. Scaling end-markets, rising profitability levels (even while remaining committed to investing for the long-term), and increased evidence of the platform cross-sell and 'flywheel' effects should drive a sustained mix of growth, margins and free cash flow at UBER, combined with rising capital returns. UBER should produce $3.40 of GAAP EPS in 2026.

- **Scaling end markets.** Sheridan continues to see UBER having multiple paths to producing mid-to-high teens (constant currency) Mobility Bookings growth in the coming 2-3 years, including: a pathway to drive further penetration of Mobility trips in less dense geographies (across both US & International markets); the rapid growth of UBER's new Mobility product portfolio (incl. Reserve, U4B, 2/3-wheelers), and greater cross-platform usage, including via the Uber One subscription (30m+ members, up ~60% yoy in 4Q24). He expects Delivery Bookings will grow in the mid-teens as monthly customers grow and order more frequently, with UBER also solidly exposed to the secular shift of purchasing habits towards on-demand Local Commerce through its fast-growing Grocery and Retail businesses.

- **A path to profitability alongside AVs.** The adoption of AVs is likely to play out over an extended duration of at least several years with a long tail of possible outcomes implying muted near to medium-term concerns. And the mobility industry is likely to evolve towards hybrid networks (mix of human drivers and AVs) to adequately service the growing demand for personal transportation. And over the course of May, UBER announced 5 new or expanded autonomous vehicle (AV) partnerships, providing a consistent framing that UBER is positioning itself as a network operator in a hybrid/AV world (among a collection of software and hardware providers).

- **Capital allocation adds further value.** UBER's FCF-rich business model enables the company to consistently return cash to shareholders while at the same time investing back in the business to offset competitive challenges. And during 1Q25, UBER delivered around $1.8bn in share repurchases (mostly from a $1.5bn accelerated repurchase program) with a reaffirmed commitment to balance capital returns with key growth investments and margin improvement.

Where we are different.

Sheridan is +4% above the Street on 2026 GAAP EPS, with capacity for additional buybacks beyond his modeling. Sheridan's framing of a gradual multi-year AV adoption curve is based on the detailed work of the GS Global Autos research team and his "UBER AV deep-dive."

Valuation.

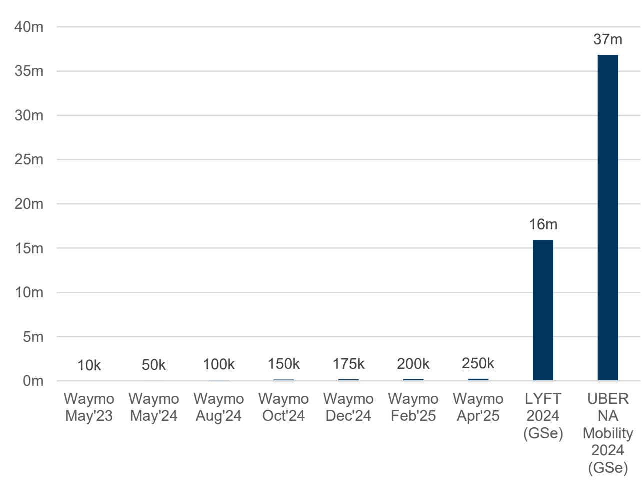
12-month price target of $110 is based on an equal blend of (1) EV/GAAP EBITDA (20X target) applied to NTM + 1 year estimates and (2) a modified DCF using an EV/FCF-SBC multiple (20.0X target) applied to NTM + 4 years estimates discounted back 3 years. Key risks include: (1) slower growth in Mobility due to demand elasticity, maturation, competition from Autonomous Vehicles, etc.; (2) regulatory environment around driver classification (incl. compensation, benefits, etc.), merchant commission caps, ESG, etc.; (3) competitive forces in both Mobility and Delivery (incl. local commerce/logistics); (4) normalization of consumer discretionary spend habits within Delivery (indoor dining, meals cooked at home); and (5) volatility caused by the global macroeconomic environment and investor risk appetite for growth stocks.

Catalysts.

1) Earnings results with a focus on Mobility FXN GB growth; 2) Any AV partnership announcement or developments from Waymo (incl. scaling of exclusive UBER partnership in Austin/Atlanta) and Tesla; 3) Acceleration in share buyback activity and any further capital returns announcements.

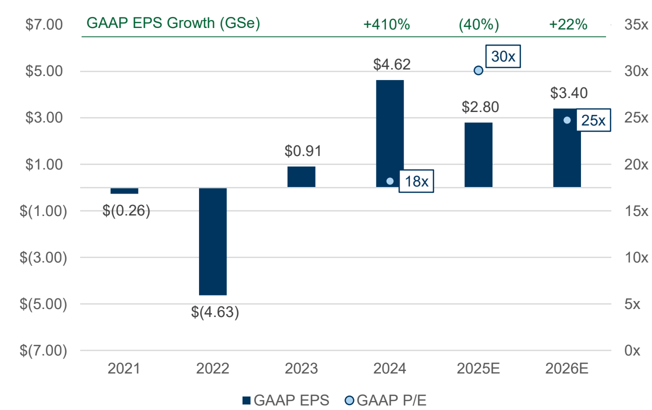
Key Charts.

Exhibit 46: Waymo is Growing Rapidly but it is Still Early Days
Weekly rides



Source: Company data, Goldman Sachs Global Investment Research

Exhibit 47: UBER Offers an Attractive Risk-Reward as it Scales to ~$3.40 of 2026E GAAP EPS



Source: FactSet, Company data, Goldman Sachs Global Investment Research

Relevant Research.

- May-14: "UBER: Key Takeaways from Uber GO-GET 2025 Event"
- May-7: "UBER: Q1'25 Earnings Review: Solid Operating Trends to Begin 2025;

Compounded Growth Potential Still Undervalued Against Long-Term Concerns"

- Mar-10: "Internet: Q4'24 EPS Review: Where To From Here? Recapping Takeaways & Debates; Focus Stocks Going Forward"
- Feb-5: "UBER: Q4'24 Earnings Review: Accelerating Towards Medium-Term Targets While Investing for the Future"
- Jan-15: "UBER: Framing the Autonomous Vehicle & Multi-Year Growth Debates"
- Dec-13: "Research Unplugged: US Internet: 10 Industry Themes for 2025 & the Outlook Ahead"
- Dec-12: "Internet & Interactive Entertainment: 10 Industry Themes for 2025 & Focus Stocks Going Forward"
- Jul-10: "Global Autos & Industrial Tech: Can new AI technology help accelerate AV deployments? Updating our global ADAS and AV forecast"

Universal Display Corp. (OLED) - covered by Brian Lee

Product cycle on steroids as OLED rolls out the color blue

Universal Display is poised to introduce a new material — blue — that will allow its customers to build displays that use less energy and thus extend battery life for devices like smartphones and tablets where this feature is highly desired by consumers and OEMs alike. When the company introduced green back in 2013, it saw revenue grow from $15m as a developmental material to over $270mn by 2024 – a nearly 20-fold increase. Brian Lee sees the potential for blue to offer up to equal to greater revenue potential from 2026 onwards as OLED should enjoy pricing power for a product that offers customers significant benefits (currently, blue is a <$5mn developmental revenue stream). Most recently, OLED remains upbeat that blue development activity across multiple of its customers is progressing well with various pathways to commercialization and applications likely, highlighted by its 2nd largest customer LG Display already having announced commercialization using OLED's blue material. Note: Universal Display is a maker of organic light-emitting diodes (aka OLED) that are used in a variety of displays from laptops, to smartphones, TV's and more. In addition to the technology being known as OLED, the company has the ticker OLED.

- **Blue Commercialization.** At an annual industry conference in May — Displayweek — Brian Lee saw a demonstration of a tablet incorporating an LG display that utilizes blue OLED phosphorescent materials for the first time in a commercial application. The tablet using the blue material indicated that they were utilizing 15% less energy — a condition that could extend the battery life. LG also announced earlier in May that noted that it is the first company to commercialize blue phosphorescent OLED panels on a mass production line — an important catalyst for OLED. Looking out, it appears likely that sometime in 2026-2027, based on OEM adoption timing, the first commercial application of blue will likely to be a tablet.
- **Blue pricing power.** OLED appears poised to see significantly higher pricing for blue vs. other materials in its portfolio given the company has spent significantly more years of R&D, as well as M&A investment in blue materials IP, compared to its development pathway to commercializing green. Management has indicated that pricing discussions are ongoing and we believe further clarity on OLED's ability to charge a higher price for blue vs. green could serve as a catalyst for blue numbers inflecting higher in modeling expectations.
- **Diversifying supply chain.** OLED has proactively been diversifying its supply chain, including raw materials, while starting up manufacturing in Ireland. As a result, the company is not anticipating much of an impact from tariffs during the year and management reiterated its 2025 revenue guidance of $640mn-$700mn in its latest quarter results. Management also reiterated gross margin guidance of 76%-77%, and expects opex to be relatively flat for the year, with SG&A up slightly and R&D remaining flat as it relocates some operations to Singapore from California.

Where we are different.

Lee models blue revenue to grow to ~$28mn in 2026, representing about 4% of total OLED sales, as the company starts to see higher developmental materials volume as well as some potential commercial revenue opportunity starting next year. His $5.99 EPS view for 2026 represents 8% upside to current consensus expectations.

Valuation.

12-month price target of $183 is based on a DCF reflecting a 15% cost of equity. Risks include: timing of OLED capacity ramps, slower-than-expected demand, rising input costs and tariff exposure, progress of blue commercialization, and pace of OLED adoption.

Catalysts.

A customer announcing it has moved to the commercial stage utilizing OLED's blue technology. Pricing terms for blue could also start to become the next area of focus and visibility for OLED on its way to monetization.

Relevant Research.

- May-14: "OLED: Blue on display at Displayweek; takeaways from the road and investor meetings; Buy"
- May-2: "OLED: Multiple positives to start the year - 1Q25 beat, customer achieves blue commercialization, guide intact, new share buyback plan; Buy"
- May-1: "OLED: A positive customer blue update; LG Display verifies blue phosphorescent commercialization; Buy"
- Feb-24: "OLED: 4Q24 beat, but guidance slightly lower than consensus and blue update status quo as expected; Buy"
- Aug-9, 2013: "OLED: What a difference a full quarter of green makes – Reiterate Buy"

Viper Energy Inc. (VNOM) - covered by Neil Mehta

Asset Light, Scaling, Permian Pure Play

Viper Energy (VNOM) is a subsidiary of Diamondback Energy (FANG) and owns mineral interests in oil and natural gas properties located in the Permian Basin. Neil Mehta believes VNOM's unique no capex business model, plus the potential for organic and inorganic growth driven by a best-in-class parent company, FANG, is a compelling, asset light way to get exposure to the Permian Basin.

- **No capex exposure to a high quality asset base.** VNOM's mineral royalty interest acreage portfolio is in the Permian Basin – the highest volume of low-cost inventory remaining – while its mineral interest peer group has royalty interests across the entire United States. Additionally, VNOM's unique business model requires no capital spending and generates more free cash flow per unit of attributable net production relative to more asset-heavy peers, and insulates VNOM from the potential for material or service cost inflation.

- **Logical Permian consolidator.** VNOM has a significant history of M&A and has scaled from ~3 Mboe/d at the company's IPO in 2014 to producing ~49 Mboe/d in 2024. While Mehta believes accretive M&A to continue to be a core competency for both VNOM and FANG, he expects additional opportunities for VNOM to acquire mineral and royalty interests as well as acquire interests through drop down transactions, adding scale and increasing the investibility of the stock.

- **Variable dividend.** VNOM has committed to return at least 75% of cash flow available for distribution to investors through a variable dividend model. Historically VNOM has leaned into return of capital above its commitment with 83% returned to shareholders in 3Q24. Additionally, given the low fixed costs associated with VNOM's business model, Mehta believes VNOM can continue to deliver its capital returns commitments – even in a less supportive commodity price environment. Mehta estimates a ~$0.05 change in cash distributions per share per $5/bbl move in oil prices.

Where we are different.

Mehta's belief that VNOM should be considered relative to the broader royalty complex is differentiated, as is his belief that the benefits of these capex light models are underappreciated by the market. Mehta maintains his positive view on FANG – the parent company and majority operator of VNOM's portfolio – and believes that the relationship enables growth optionality for VNOM without requiring overall FANG growth. This structure also provides him greater confidence in the quality of VNOM's asset base.

Valuation.

12-month price target of $56 is derived by applying a target free cash flow yield of 7.5% to average 2026/27 estimates. Key risks include costs, well results, commodity price volatility and government pronouncements.

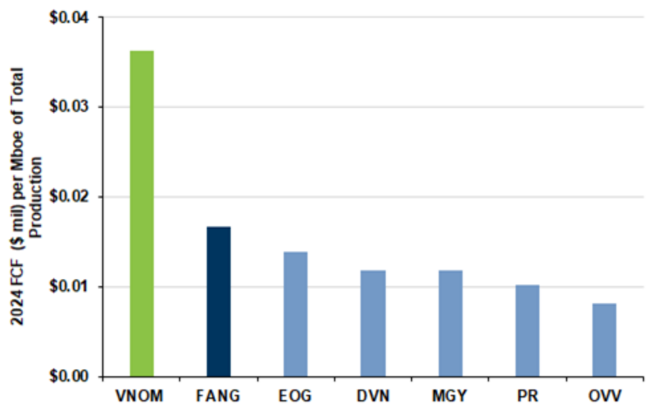
Catalysts.

(1) Close of FANG drop down acquisition (announced Jan-30) in 2Q25, which the company estimates will increase cash available for distribution per share by ~10%, (2) upside optionality around future drop downs given the relationship with FANG, and (3) the potential for further inorganic growth in the Permian Basin.

Key Chart.

Exhibit 48: VNOM's FCF per boe is significantly higher than oil producers as it does not require capital spending to realize attributable production

FCF ($mil) per Mboe of attributable net production



Source: Company data, Goldman Sachs Global Investment Research

Relevant Research.

- May-12: "VNOM: Low Risk Royalty Business Model Not Reflected in Valuation Given 9%/10% FCF Yield in 2026/2027"
- Mar-2: " Oil & Gas - E&P: Quality of Operations and Acreage Continue to Differentiate vs Peers; Buy FANG and VNOM"
- Jan-30: "VNOM: Announces ~$4.5 Bn FANG Drop Down, Additional Asset Acquisition, and Strong 4Q24 Production"
- Dec-1-24: "Initiate Buy on VNOM for Strong Shareholder Returns; Resuming Buy on FANG for Capital Efficiency Leadership"

Woodward Inc. (WWD) - covered by Noah Poponak

The right products for the right planes in the right cycle at the right time

WWD is poised to deliver more products to planes just as the OE airplane cycle takes off. Additionally, Noah Poponak sees a path for WWD to follow these content gains with a higher participation in high margin after-market activity as planes are serviced. All of this, alongside a now-proven relatively new management team (started in May 2022), should drive upside to consensus forecasts through the cycle. Recent earnings result bolster Poponak's view, and start FY2025 with a beatable bar.

- **Content gains just as the cycle takes off.** Woodward has content gains on nearly every current generation aircraft in the market compared to prior generation. As air travel continues to recover from pre-pandemic, then eventually move back into its normal long-term secular growth rate, airline demand for airplanes to satisfy that travel has been strong. Boeing and Airbus are still delivering new airplane supply well below that demand, which provides visibility into a high likelihood of strong Aerospace OE growth for the next several years.
- **Shareholder friendly free cash flow machine.** Poponak has a favorable view of the new management team which is driving significant operational improvements and therefore higher margins and returns on capital. That should translate to high rates of free cash flow growth, and he expects the company to buy back stock and deploy capital towards accretive M&A.
- **Aftermarket margin expansion story.** WWD has a relatively high percentage of earnings derived from aerospace aftermarket, given the maintenance intensive nature of its components, and aerospace aftermarket has high pricing power and margins. In particular, it has substantial market share gains on the GE Aerospace LEAP engine, which itself has high market share of the future aircraft fleet, and aftermarket shop visit activity is set to accelerate meaningfully now.

Where we are different.

Poponak's 2025/26 EBITDA estimates are 2.8%/6.1% above consensus, in part due to higher aerospace segment revenue and margins, where he has detailed modeling of the GE Aerospace LEAP engine, which is set to flow to WWD at high margins given its content gains. He also views the China truck business through a longer term lens, expecting long term growth and solid margins from that product set, whereas the market is negative with low expectations on that product line.

Valuation.

12-month $229 price target is derived from a target 18.0X 2026E EV/EBITDA. Key risks include (1) pace of aerospace growth, (2) industrial drivers, and (3) valuation.

Catalysts.

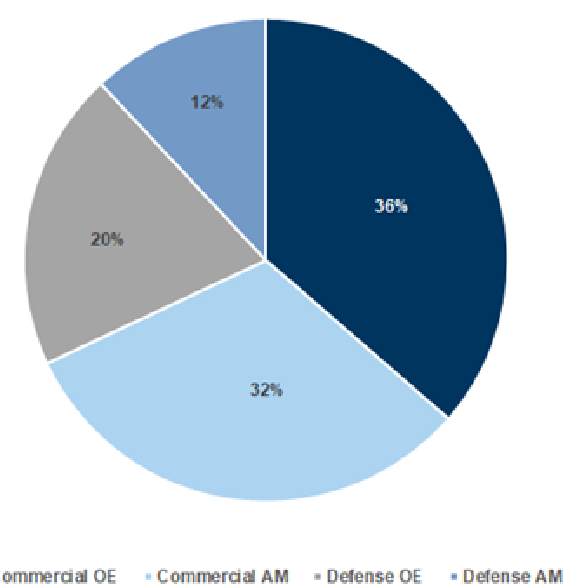
Poponak sees aerospace sector outperformance continuing as demand for new planes remains strong, and global travel growth continues to push aftermarket results higher.

He expects earnings outperformance from WWD, from its market and product positioning, plus new management operating initiatives. Soon the LEAP engine shop visit growth rate should accelerate, which could bring more attention to that part of the financial model. The recent earnings report resets China truck expectations to a much lower bar.

Key Chart.

Exhibit 49: Nearly ~70% of WWD's FY24 Aerospace segment revenue was derived from the Commercial OE/AM end markets

FY24 Aerospace revenue was ~$1.4bn



Source: Company data, Goldman Sachs Global Investment Research

Relevant Research.

- May-19: "WWD: Company meeting takeaways: multiple growth and margin drivers across the business; Buy (on CL)"
- Apr-29: "WWD: Remains our top pick across A&D following strong quarter and given highly durable, high-growth long-term story; Buy (on CL)"
- Feb-27: "Research Unplugged: Industrials: Key Takeaways from 4Q Multis, Machinery & Infrastructure, A&D, Autos Earnings"
- Dec-12:-24 "2025 Outlook: Aerospace: Still early in a strong demand cycle"
- Dec-5-24: "WWD: Industrials and Materials Conference — Key Takeaways"
- Jan-10-24: "Aerospace & Defense: Ratings changes in mid-cap: upgrade WWD to Buy, HXL to Neutral, downgrade MRCY to Sell"

Disclosure Appendix

Reg AC

We, Steven Kron, Chris Hussey, John Marshall and Sarah Herr, hereby certify that all of the views expressed in this report accurately reflect our personal views about the subject company or companies and its or their securities. We also certify that no part of our compensation was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in this report.

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Growth is based on a stock's forward-looking sales growth, EBITDA growth and EPS growth (for financial stocks, only EPS and sales growth), with a higher percentile indicating a higher growth company. **Financial Returns** is based on a stock's forward-looking ROE, ROCE and CROCI (for financial stocks, only ROE), with a higher percentile indicating a company with higher financial returns. **Multiple** is based on a stock's forward-looking P/E, P/B, price/dividend (P/D), EV/EBITDA, EV/FCF and EV/Debt Adjusted Cash Flow (DACF) (for financial stocks, only P/E, P/B and P/D), with a higher percentile indicating a stock trading at a higher multiple. The **Integrated** percentile is calculated as the average of the Growth percentile, Financial Returns percentile and (100% - Multiple percentile).

Financial Returns and Multiple use the Goldman Sachs analyst forecasts at the fiscal year-end at least three quarters in the future. Growth uses inputs for the fiscal year at least seven quarters in the future compared with the year at least three quarters in the future (on a per-share basis for all metrics).

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The rating(s) for Insmed Inc. is/are relative to the other companies in its/their coverage universe: 89bio Inc., Arrowhead Pharmaceuticals Inc., Day One Biopharmaceuticals, Insmed Inc., Iovance Biotherapeutics, Jazz Pharmaceuticals, Kodiak Sciences, Krystal Biotech Inc., Madrigal Pharmaceuticals Inc., Tarsus Pharmaceuticals Inc.

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Company-specific regulatory disclosures

Compendium report: please see disclosures at https://www.gs.com/research/hedge.html. Disclosures applicable to the companies included in this compendium can be found in the latest relevant published research

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Goldman Sachs Investment Research global Equity coverage universe

	Rating Distribution			Investment Banking Relationships		
	Buy	Hold	Sell	Buy	Hold	Sell
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Price target and rating history chart(s)

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