

## US Conviction List - Directors' Cut

# July 2025 Update

## US Conviction List - Directors' Cut

[See the list >](#)

CL

We add Duke Energy (DUK), Huntington Ingalls (HII) and Kontoor Brands (KTB) to the US Conviction List, while removing Cloudflare (NET), Snowflake (SNOW), and Woodward (WWD). We have a brief summary of these adds below, and include a more detailed write-up within, along with market commentary, a review of list performance, as well as earnings and non-earnings catalysts.

### Exhibit 1: Conviction List - Directors' Cut July Update

All price targets are 12-months; Prices are as of 6/30; green indicates new

Ticker	Company	Mkt Cap (\$bn)	Price	Price Tgt	% upside	GS vs. Cons* ** FY2	Street % Buy
<b>Consumer</b>							
KTB	Kontoor Brands Inc	3.7	\$66	\$85	29%	8%	67%
PM	Philip Morris International	283.5	\$182	\$190	4%	2%	68%
<b>Financials</b>							
BAC	Bank Of America Corp	356.4	\$47	\$56	18%	-1%	79%
COF	Capital One Financial Corp	136.1	\$213	\$250	18%		75%
HLI	Houlihan Lokey Inc	12.6	\$180	\$207	15%	-4%	38%
MAA	Mid-America Apartment Comm	17.3	\$148	\$192	30%	1%	45%
RJF	Raymond James Financial Inc	30.9	\$153	\$173	13%	5%	29%
<b>Healthcare</b>							
ALNY	Alnylam Pharmaceuticals Inc	42.5	\$326	\$378	16%		73%
BAX	Baxter International Inc	15.5	\$30	\$37	22%	4%	35%
INSM	Insmed Inc	19.1	\$101	\$112	11%	9%	100%
JNJ	Johnson & Johnson	367.5	\$153	\$176	15%	1%	54%
<b>Industrial</b>							
AL	Air Lease Corp	6.5	\$58	\$69	18%	2%	86%
DE	Deere & Co	137.7	\$508	\$610	20%	7%	46%
GEV	GE Vernova Inc	144.4	\$529	\$570	8%	6%	70%
HII	Huntington Ingalls Industries	9.5	\$241	\$265	10%	4%	40%
<b>Natural Resources</b>							
DUK	Duke Energy Corp	91.7	\$118	\$132	12%	1%	45%
KGS	Kodiak Gas Services Inc	3.0	\$34	\$43	25%	0%	92%
OLED	Universal Display Corp	7.3	\$154	\$183	18%	4%	67%
VNOM	Viper Energy Inc	11.0	\$38	\$56	47%	23%	100%
<b>TMT</b>							
OS	Onestream Inc	6.8	\$28	\$33	17%	1%	90%
PINS	Pinterest Inc- Class A	24.3	\$36	\$42	17%	3%	81%
T	AT&T	208.2	\$29	\$31	7%	0%	70%
UBER	Uber Technologies Inc	195.1	\$93	\$110	18%	2%	76%

\*EPS: AL, ALNY, BAC, BAX, COF, DE, DUK, HII, HLI, JNJ, KTB, PINS, PM, RJF, VNOM; FFO: MAA; EBITDA: GEV, KGS, OLED, T, UBER; 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

For **DUK**, Carly Davenport sees the company making regulatory progress in key markets, while also developing greater electricity generation capacity on the back of

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its partnership with natural gas turbine supplier GEV. She sees the addition of a new CEO in April as paving the way for a unified strategic path to more sustainable growth.

For **HII**, Noah Poponak sees a pure play on US Navy Shipbuilding, at a time where the Pentagon and US government have decided to allocate substantial funding to growing the Navy and improving its industrial base. HII has seen strong demand for Navy ships for years, but has been unable to deliver all of the units due to labor throughput.

Demand is now set to grow to even higher heights under the current DoD budget plan and Poponak sees those labor challenges improving. All in, he sees accelerating top-line growth, expanding margins, and improved free cash flow conversion in the near-to-medium term. His 2026 EPS is 6% above Street estimates.

For **KTB**, Brooke Roach believes the denim maker's recently completed acquisition of ski and sail-wear brand, Helly Hansen, strengthens and diversifies its existing portfolio, enabling it to expand into new, and growing, categories (outdoor/active/outerwear) and internationally. This new growth, coupled with healthy underlying trends in its base business (particularly Wrangler), creates an attractive growth profile – all while being relatively insulated from tariffs. Roach is above the Street on FY2 EPS.

## Market Commentary - so much for sell in May...

Several things that markets have feared like deglobalization, rising trade barriers, and immigration reform's impact on labor supply have not yet had a notable impact on the pace of US economic growth as Kamakshya Trivedi and Dominic Wilson highlight in Sunday's Global Markets Views, "Stirred, but not Shaken." Indeed, even after our economists cut our 2Q25 GDP growth tracker by 10bp Friday, it is still growing at close to a 4% pace. And while many have feared that hiring will slow precipitously in the face of so much policy uncertainty, so far it has not. May non-farm Payroll additions came in at 139,000 — well below the pace we saw through most of the Biden Administration era, but still near the trend employment level needed to hold unemployment at bay.

Interestingly, against this backdrop, David Mericle and team raised our Fed funds rate cut forecast to 3 cuts this year from only 1 previously, and we now think the Fed will start cutting in September and keep cutting until we get down to a 3-3.25% terminal rate — 50bp lower than our prior forecast — in "Shifting to a September Cut and a Lower Terminal Rate." Why the dovish tilt from our economists? Tariff-driven inflation appears to be less than we first anticipated. But the labor market may be eroding just as much as we thought it would. While the labor market still looks healthy, it has become hard to find a job, and both residual seasonality and immigration policy changes pose near-term downside risk to payrolls. So like we saw in 2019, look for the Fed to start 'insurance cuts' in September and cut again in October and December and twice more in 2026.

Finally, on the macro front, while markets were aided throughout June by (mostly) encouraging data releases, July provides another month to climb the wall of worry — with this week alone offering two critical rungs on the ladder (a fresh ISM Manufacturing survey on Tuesday and the June Payrolls report on Wednesday — see "US Week Ahead: June 30 - July 6"). And next week, of course, includes the July 9th tariff pause end date — potentially another big test for tariff levels.

All of this solidifies the notion that markets are currently in what is now an extended 'wall of worry' climb. We sat down with Shawn Tuteja, who oversees ETF and custom baskets volatility trading within Goldman Sachs Global Banking & Markets division to discuss how this wall of worry provides a path to even greater gains (click into our weekly podcast, "The Markets: Climbing the 'Wall of Worry'"). And Trivedi and Wilson also highlighted this dynamic in the Global Markets Views note, "Stirred, but not Shaken." They write that the recent conflict in the Middle East is a reminder both that new policy shocks can surface, but also that unless the worst outcomes materialize, they can create only a higher wall for markets to climb — as we saw throughout June. But they also remind us that as markets relax again, other risks may move back into focus: fresh tariff news, potential for more visible weakening in the US growth and jobs data, or the upcoming fiscal package.

And beyond the macro, June also saw the further resurgence of some of the themes that had met headwinds earlier this year, from AI to robotaxis, US power expansion, and beyond. Here are a few themes that are drawing our attention as we head into summer.

- **AI.** 1Q result and NVDA's earnings in late May highlighted how the infrastructure build-out phase of the AI revolution is continuing. Mark Delaney actually raised estimates for data center enablers in a Jun-9 note, "[Datacenter market continues to show strength; modestly raising estimates and price targets for select companies](#)." And we also saw progress in the transition to the AI application phase as Jim Covello and Eric Sheridan highlighted in the Jun-24 note, "[Analyzing the Impact of AI on Industry Profit Pools – Part I \(Advertising Case Study\)](#)" and Gabriela Borges and team highlighted in a separate note, "[Generative AI Part XI: Agentic AI expands the App Software TAM](#)." To be truly successful, we see a need for AI to disrupt meaningful existing profit pools — not just cut costs. And we identify Advertising — agencies and Ad Tech — as one such pool. We also illustrate how well-positioned software companies are already employing AI Agents (think souped-up chat bots) to help customers navigate increasingly robust software solutions. We sat down with both teams to discuss the state of AI and capture the conversations in two podcasts: "[Research Unplugged: Addressing the Impact of AI on Industry Profit Pools – Advertising Deep Dive](#)" and "[Research Unplugged: AI Agents: Sizing the Software Opportunity](#)." CL stocks with ties to the AI theme: PINS, UBER, GEV, AND T.
- **Robotaxis.** Mark Delaney and team lay out a path to a \$7bn autonomous rideshare market by 2030 in "[Framing profit pools in rideshare, trucking, and insurance as AVs move from concept to commercialization](#)." The market opportunity is starting from a super low base and is not as great as the one that Allen Chang and team laid out for China in a May-6 note, "[China's Robotaxi market - the road to commercialization](#)." But technology has a way of making step changes. And TSLA's launch of its Robotaxi service in late June provides further visibility on the path to scale as Delaney highlighted in "[TSLA: Tesla begins robotaxi operations - initial takeaways](#)." We sat down with Delaney, Chang, Eric Sheridan and others to discuss the growing Robotaxi theme in mid-June and capture the conversation in the podcast, "[Research Unplugged: Autonomous Vehicles: From concept to commercialization and the path to profitability](#)." CL stocks to focus on: UBER.
- **Defense of the future.** The Trump Administration continued to push Europe towards accepting more of the financial burden of its military defense throughout the month and our economists weighed in on Europe's progress in a series of notes: "[Germany—Budget Announcement Suggests a More Frontloaded Fiscal Boost](#)", "[EU—Defence Spending: Why Markets Don't Feel SAFE Yet](#)", and "[UK—How Large is the Defence Dividend?](#)" And Anthony Valentini gave the theme some US equity teeth on Jun-30 with the coverage launch of the US Defense Tech sector in a comprehensive report, "[Defense Tech: Launching Defense Tech as industry transformation is under way; Buy AVAV, KTOS, DRS, CAE](#)." The Ukraine conflict proved that large volumes of low-cost, technologically acceptable systems can combat exquisite platforms at a fraction of the cost. And we believe Defense is in the early stages of a major structural change that will drive disruptive Defense Tech companies taking a larger share of global defense spending.
- **Power.** Earlier in June, Carly Davenport reiterated our forecast that US power demand will grow at a 2.5% CAGR through 2030 in "[Power demand growth on track](#)

despite macro uncertainty; maintain 2.5% CAGR." Some have grown concerned that interruptions to AI, EV's, and the Manufacturing Renaissance will derail the electrification of America. But we still see an uninterrupted path with demand even skewed to the upside. In 1Q25, for example, weather normal demand grew by 2.9% on average, on strong commercial and residential demand. Later in June, Brian Lee and team highlighted the emerging opportunity to increase existing nuclear power plant capacity by 'uprating' facilities through a variety of initiatives, including upgrading existing equipment to produce more power — see the Jun-25 note, "Nuclear: Power uprates a potential driver of near- to medium-term upside for the nuclear value chain; Buy CCJ." CL stocks to focus on: DUK and GEV.

- **Obesity.** We kicked off June with our annual Global Health Care Conference in Miami and later in the month the American Diabetes Association (ADA) held their own conference. And LLY is coming out of the month with a series of successes that Asad Haider believes solidifies the GLP-1 producer in the obesity prevention lead (see the Jun-23 note, "LLY: Impressive ubiquity at ADA reinforces pole position in obesity"). We also sat down with doctors to discuss the potential of the new drugs that LLY and others are developing to treat obesity and capture our findings in a Jun-24 note, "Pharmaceuticals: KOL dinner frames ADA updates for LLY, NOVO, and AMGN." We sat down with our entire Healthcare research team to discuss obesity and a whole lot more on the heels of our conference and capture the conversation in a 60-minute podcast, "Research Unplugged: Takeaways from our 46th Annual Global Healthcare Conference."
- **M&A.** June may have marked a structural shift in what had been relatively dormant capital markets. Going into the month, panelists on our healthcare investment banker panel noted that the M&A market for BioPharma deals remained depressed (see the Jun-11 note, "Global Healthcare: 46th Annual Global Healthcare Conference — Notes from GS Investment Banker Panel"). But since then, both LLY and BNTX announced new acquisitions (see "Lilly Announces Acquisition of Verve" and "BNTX Announces Acquisition of CureVac").
- **Deregulation.** Signs of a lighter corporate touch from the Federal government emerged in June as well. In particular, the CCAR Bank capital requirement results released on Friday came in significantly better than expected lowering capital requirements by 40bp more than forecast and providing no bank with an increased capital requirement as Richard Ramsden and team discussed in "2025 CCAR: Structurally lower CET1 requirements, as SCBs move lower, with changes to the test appearing permanent." CL stocks to focus on: COF, BAC, HLI, and RJF.

**Catalyst corner.** As we head into July and deep summer, a flurry of catalysts also lie ahead that could compel stocks higher or conversely, provide a broken rung on the wall of worry ladder that causes risk assets to fall. Beyond this week's and next week's macro catalysts (ISM, Payrolls, Jul-9 tariff pause deadline), we also face a few others, including:

- **2Q25 earnings season.** Consensus is looking for only 4% yoy EPS growth in 2Q as margins contract qoq, but David Kostin expects the S&P 500 in aggregate will beat this low bar in Friday's Kickstart, "Look for early impact of tariffs during 2Q 2025

earnings season.”

- **Budget bill.** Congress will continue to refine its budget bill and Alec Phillips thinks it may be passed in late July/early August (see the Jun-17 note, “[USA: Senate Fiscal Bill: Near-term Fiscal Effects Similar to House Bill but 10-Year Cost Likely Higher](#)”).
- **The Fed.** The FOMC meets on Jul-29 and 30th with a statement due out on the afternoon of the 30th. Trivedi and team point out that a dovish tilt from the Fed amidst anemic inflation and still OK growth could reinforce an upside case for risk assets (see note above). And while we do not expect the Fed to cut rates at the July meeting, we now do look for the central bank to begin cutting again at the next meeting after this one, in September (see Mericle’s note above).
- **AI.** The hyperscalers — GOOGL, MSFT, AMZN — report towards the end of July or on the first day of August, providing another datapoint around the durability of the AI infrastructure trade.

# 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 June 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 the performance that calculates the percentage of stocks that have outperformed the stated benchmark during their time on the list, since inception. Lastly, we provide commentary on select names that saw strength and weakness during the month and highlight the names that were added to and removed from the list.

## Exhibit 2: Conviction List - Directors' Cut stock performance

June and life-to-date returns

Ticker	Name	Calendar		Life-to-Date	Life-to-Date
		Days on the List	June 2025	Return Rel to S&P 500	Return Rel to EW S&P 500
INSM	Insmed Inc.	301	44.3%	20.5%	26.3%
PINS	Pinterest Inc.	273	15.3%	2.0%	7.9%
COF	Capital One Financial Corp.	29	12.5%	7.4%	9.0%
GEV	GE Vernova	91	11.9%	62.5%	68.0%
UBER	Uber Technologies Inc.	180	10.9%	48.5%	49.9%
OLED	Universal Display Corp.	29	8.1%	3.0%	4.6%
BAC	Bank of America Corp.	148	7.9%	0.1%	2.2%
ALNY	Alnylam Pharmaceuticals Inc.	148	7.1%	16.9%	18.9%
SPX	S&P 500		5.1%		
1	GS Americas Coverage		4.8%		
RJF	Raymond James Financial Inc.	148	4.3%	-12.0%	-9.9%
T	AT&T Inc.	91	4.1%	-7.5%	-2.0%
SPW	S&P 500 Equal Weight		3.4%		
HLI	Houlihan Lokey Inc.	61	3.4%	-0.3%	3.5%
AL	Air Lease Corp	211	1.9%	12.7%	18.2%
PM	Philip Morris International Inc.	334	1.6%	50.6%	56.5%
OS	OneStream Inc.	29	0.9%	-4.2%	-2.6%
DE	Deere & Co.	120	0.8%	1.8%	4.6%
BAX	Baxter International Inc.	120	-0.7%	-16.5%	-13.7%
JNJ	Johnson & Johnson	61	-1.6%	-13.1%	-9.4%
KGS	Kodiak Gas Services Inc.	91	-2.9%	-17.9%	-12.4%
VNOM	Viper Energy Inc.	120	-3.9%	-20.4%	-17.6%
MAA	Mid-America Apartment Communi	29	-5.5%	-10.6%	-8.9%

### <sup>2</sup> Conviction List hit rate (n = 87 LTD; n=53 TTM)

Relative to:	LTD	TTM
S&P 500	49%	51%
S&P 500 Equal Weight	55%	58%
GICS Sector	54%	58%
GS Americas Coverage	56%	60%

### Added to the list this month

Ticker	Name	Days on		LTD Return
		the List	June 2025	Rel to SP500
DUK	Duke Energy Corp.			
KTB	Kontoor Brands Inc.			
HII	Huntington Ingalls Industries			

### Removed from the list this month

Ticker	Name	Days on		LTD Return	LTD Return Rel
		the List	June 2025	Rel to SP500	EW SP500
NET	Cloudflare	91	18.0%	62.8%	68.3%
SNOW	Snowflake Inc.	365	8.8%	50.5%	52.9%
WWD	Woodward Inc.	334	13.3%	44.3%	50.1%

<sup>1</sup> Total return for Americas Research coverage

<sup>2</sup> 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 worked

**INSM (+).** The drug company reported positive topline data from a key Ph2b trial (TPIP PAH - in patients with pulmonary arterial hypertension), with the study meeting all primary and secondary efficacy endpoints. Notably, the results were consistent with Andrea Newkirk's bull case scenario, which she details in her June-10 note "INSM: Positive Ph2b TPIP PAH data surpass expectations." Newkirk also reviews her dinner and fireside chat at the GS Healthcare conference in her June-12 note "INSM: 46th Annual Global Healthcare Conference — Key Takeaways" and came away incrementally more positive on the outlook for adoption of TPIP post her KOL discussion which she highlights in her 6-18 note "KOL discussion underscores TPIP's and Winrevair's clinical profiles amidst an evolving PAH landscape". Next up is the August 12th PDUFA.

**COF (+).** Ryan Nash highlights Capital One Financial as one of the biggest beneficiaries of the Fed's 2025 CCAR stress tests among regional banks and consumer finance companies with its SCB (Stress Capital Buffer) decreasing by 90 bps, and that's before considering the DFS merger which Nash expects will likely result in a lower SCB down the road for the combined entity. June-27: "2025 CCAR: Structurally lower CET1 requirements, as SCBs move lower, with changes to the test appearing permanent"

**WWD (+).** The aircraft aftermarket part manufacturer saw continued strength in June (+13%) after a strong May (+15%) during which Noah Poponak came away from a management group lunch and meetings at the 2025 Paris Air Show with high conviction that aerospace aftermarket fundamentals remain strong (units, price and pent-up demand) and in WWD's unique content gain story with the LEAP. He provides takeaways in the May-19 "WWD: Company meeting takeaways: multiple growth and margin drivers across the business; Buy (on CL)" and the June-20 "2025 Paris Air Show takeaways".

## What has not

**MAA (-).** The apartment REIT underperformed this month on market fears that macro/policy uncertainty may have an impact on consumer/renter sentiment during peak leasing season (May to August).

## What has changed

With this update we add Duke Energy (DUK), Huntington Ingalls (HII) and Kontoor Brands (KTB) to the US Conviction List. We remove Cloudflare (NET), Snowflake (SNOW) and Woodward (WWD), all of which remain Buy-rated. 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 3: Conviction List Changes since May 31st, 2025**

Changes to FY2 EPS, Price Targets and to the List

Ticker	Name	FY2 EPS %	PT %
KGS	Kodiak Gas Services Inc	-9%	-2%
BAC	Bank Of America Corp	0%	13%
BAX	Baxter International Inc	3%	-5%
INSM	Insmed Inc	0%	12%
GEV	GE Vernova Inc	0%	14%
CL Additions		Date	
KTB	Kontoor Brands Inc	7/1/2025	
DUK	Duke Energy Corp	7/1/2025	
HII	Huntington Ingalls Industries	7/1/2025	
CL Removals		Date	
NET	Cloudflare Inc - Class A	7/1/2025	
SNOW	Snowflake Inc-Class A	7/1/2025	
WWD	Woodward Inc	7/1/2025	

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 five 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 4: The Conviction List contains stocks that are attractive across a number of metrics

Top 5 by fundamental metric

Upside to price target		Upside to consensus EPS		Revenue Growth		Dividend Yield	
VNOM	47%	INSM	>20%	INSM	133%	VNOM	6%
MAA	30%	VNOM	>20%	VNOM	27%	KGS	5%
KTB	29%	ALNY	>20%	ALNY	24%	MAA	4%
KGS	25%	OS	11%	OS	21%	T	4%
BAX	22%	KTB	8%	UBER	15%	DUK	4%

Source: Company data, 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 5: By the Numbers

<b>16%</b> median upside to price target	<b>3%</b> median upside to consensus FY2 KPI	<b>8%</b> median FY2 revenue growth
<b>26%</b> % names with 50% or less Street Buy	<b>78%</b> % names with upside to FY2 KPI	<b>0.9</b> median beta

Source: Goldman Sachs Global Investment Research, Bloomberg

## Upcoming Catalysts

Below we provide a rolling calendar of select earnings and non-earnings catalysts that have the potential to drive investor sentiment toward our analysts' view.

**Exhibit 6: Earnings-day option implied moves**

Current option implied moves relative to 8 quarter average actual moves

Ticker	Date	Earnings-day move		Implied minus historical
		Current Implied +/-	8Q Avg actual +/-	
BAC	16-Jul	2%	3%	-1%
PM	22-Jul	3%	4%	-2%
T	23-Jul	2%	4%	-2%
MTH	23-Jul	5%	5%	0%
RJF	23-Jul	4%	3%	1%
GEV	23-Jul	7%	3%	4%
PINS	28-Jul	10%	13%	-4%
ALNY	30-Jul	9%	5%	4%
BDC	30-Jul	5%	7%	-2%
AL	30-Jul	6%	5%	0%
HII	30-Jul	7%	9%	-2%
KTB	30-Jul	2%	7%	-5%
SPGI	31-Jul	2%	4%	-2%

Source: Goldman Sachs Global Investment Research

**Exhibit 7: Non-earnings catalysts our analysts expect to be important**

Potential non-earnings events

Ticker	Date	Event
INSM	12-Aug	Brensocatib - Potential U.S. approval and subsequent launch in non-CF bronchiectasis
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)
ALNY	2H25	Miveleran - Additional Ph1 data in Alzheimer's
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:

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- ["US Conviction List - Directors' Cut: May 2025 Update"](#)
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- ["Research Unplugged: US Conviction List - Directors' Cut: May Spotlight"](#)

# Our 23 most differentiated Buy recommendations

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

## Exhibit 8: Conviction List - Directors' Cut

Ticker	Company	Summary
<b>Consumer</b>		
KTB	Kontoor Brands Inc	Strong brand momentum with attractive growth opportunity
PM	Philip Morris International	Leading the cigarette industry to a smoke-free future
<b>Financials</b>		
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
<b>Healthcare</b>		
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
<b>Industrial</b>		
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
HII	Huntington Ingalls Industries	Pure play on Pentagon's prioritization of the Navy
<b>Natural Resources</b>		
DUK	Duke Energy Corp	Well-positioned with regulators, suppliers, and its own management team
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
<b>TMT</b>		
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
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

# Duke Energy Corp. (DUK) - covered by Carly Davenport

*Well-positioned with regulators, suppliers, and its own management team*

DUK is making regulatory progress that should support strong growth in the Carolinas and Florida. Additionally, as the utility ramps up its development of greater electricity generation capacity, capex should be supported by its partnership with nat gas turbine supplier GEV which should provide it with better access to gas turbines — critical to actually building the new power capacity. Finally, Davenport believes the addition of a new CEO in April paves the way for a unified strategic path to more sustainable growth.

- **GEV partnership provides capex advantage.** Building out new electrical generation capacity has become expensive and time-consuming – given supply chain constraints. But DUK's ability to build at scale with its partnership with GEV gives it a competitive advantage to bring on gas generation quicker and more cost effectively than its peers. DUK and GEV recently announced the utility secured 19 natural gas turbines to meet growing demand needs into the 2030s. Duke expects to spend \$83 bn in capex over the next five years, with about 45% going towards the grid and about 40% going towards new generation.
- **Regulatory clarity emerges.** Key constraints for DUK have been its challenged balance sheet due to regulatory lag and the storms that occur in the company's service territory. But the improved regulatory environment in the company's service territories have paved the way for DUK to become a more premium utility due to the supportive earnings growth and the ability to recover costs in a timely manner. In particular, a favorable allowed return for a competing utility in South Carolina in a recent rate case, and a favorable outcome for a DUK rate case in Florida puts DUK on a better path to higher and more predictable returns.
- **Discounted valuation.** DUK currently trades at a 6% discount to premium peers, in line with the historical discount average. But DUK is positioned to grow earnings faster than it has in the past – 8% CAGR versus 5-year historical growth rate of 3% – suggesting that it should see multiple expansion to the premium peer average. FactSet consensus EPS estimates are also marginally below GS estimates.

## Where we are different.

Davenport's estimates are 2% above consensus, on average, in 2025-2028. She is more optimistic on execution under a new CEO on the regulatory side of the business, as well as the balance sheet, which should both be supportive of above trend earnings growth going forward relative to history. Davenport believes the progress the company has made on regulatory mechanisms and ROEs, as well as the load growth and capex opportunities in its service territories, including the ability to build more gas in the near term, should solidify DUK as a premium utility from a valuation perspective.

## Valuation.

12-month target price of \$132 is based on 19x P/E multiple on Q5-Q8 GS estimates. Key downside risks include: DUK's balance sheet not improving as expected; regulatory

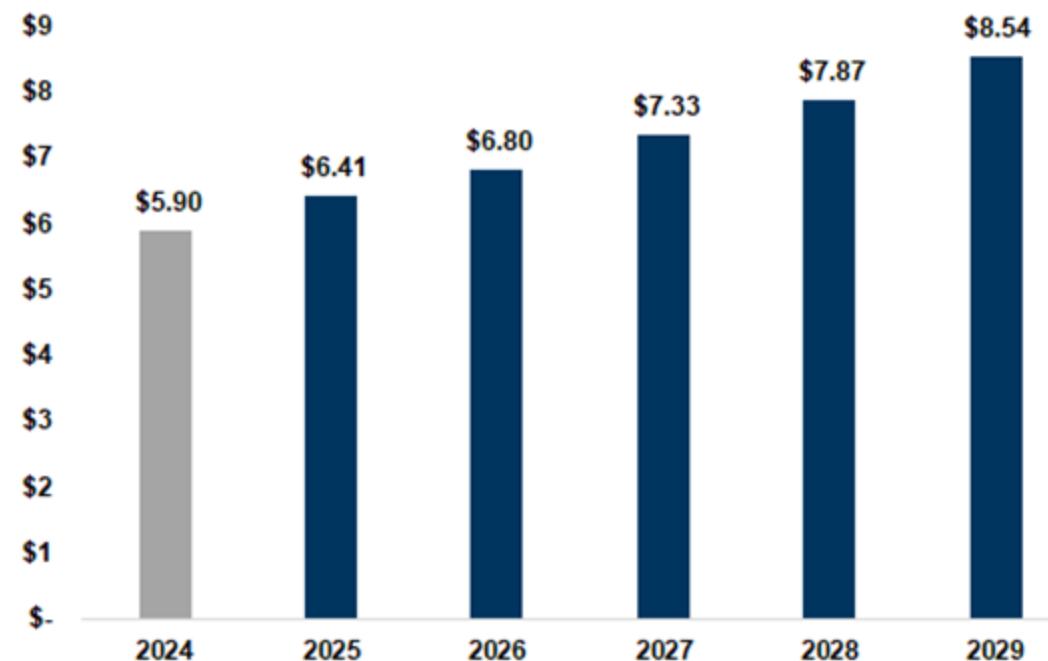
uncertainty from its recently filed rate case at Duke Energy Progress; and any decline in the strong load growth forecast impacting expected earnings growth.

### Catalysts.

DUK reaching its FFO/debt leverage target this year at 14% as it executes on financing plans, recovers storm costs, and monetizes nuclear PTCs; reaching a constructive resolution on the recently filed rate case at Duke Energy Progress in South Carolina, where hearings are expected to begin in 4Q25; execution on EPS results and power generation asset additions on time; potential upside around the load growth/capex/earnings outlook on the 4Q25 earnings call could all be positive catalysts for shares.

### Key Chart.

**Exhibit 9: Davenport expects DUK EPS to grow at a 8% CAGR through 2029**  
DUK 2024 EPS and GSe for EPS in 2025-2029



Source: Goldman Sachs Global Investment Research

### Relevant Research.

- Jun-25: "Nuclear: Power uprates a potential driver of near- to medium-term upside for the nuclear value chain; Buy CCJ"
- Jun-25: "Utilities: Follow the EPS growth in large cap utilities; DUK to Buy, WEC to Sell, AEE up to Neutral"
- Jun-8: "Utilities: Power demand growth on track despite macro uncertainty; maintain 2.5% CAGR"

# Huntington Ingalls Industries Inc. (HII) - covered by Noah Poponak

*Pure play on Pentagon's prioritization of the Navy*

HII is a pure play on US Navy Shipbuilding, at a time where the Pentagon and US government have decided to allocate substantial funding to growing the Navy and improving its industrial base. HII has seen strong demand for Navy ships for years, but has been unable to deliver all of the units due to labor throughput. Demand is now set to grow to even higher heights under the current DoD budget plan. Those labor challenges have also impacted margins due to productivity in the yards. However, the Navy has now awarded HII funding specifically to be able to improve hiring and retention. Noah Poponak expects HII to see accelerating top-line growth, expanding margins, and improved free cash flow conversion in the near-to-medium term, on the back of this increased focus and funding from its customer.

- **A faster top-line.** The Pentagon wants a larger Navy, and HII is one of only two companies in the world producing world class ships that meet military naval standards. Nuclear powered submarines and aircraft carriers are force multipliers given their capability compared to cost. Backlog growth has been substantial, and should not flow faster to revenue if labor throughput improves.
- **Substantial margin expansion potential.** HII margins are at their lowest point in a decade as pandemic driven labor turnover has driven productivity challenges. The company needs to hire, train, and retain, which has been difficult in recent periods. However, the Pentagon and US government are now raising the priority level of the Navy, including specifically wanting to improve the industrial base and its labor force. In April the Pentagon awarded HII \$1.3bn for the purpose of improving labor, including higher wages. Poponak expects HII to soon start seeing better labor metrics, which can flow directly to margins, for a stock that has always been highly correlated to profitability performance.
- **A low bar.** Market expectations are low for HII following the margin challenges experienced last year. The investor bar is low, just at a time when the customer is looking to fund improvements in the challenges the company has faced. He thinks there is substantial upside potential to sell-side consensus estimates, and many potential incremental buyers of the stock given how left behind this has become in recent periods.

## Where we are different.

Poponak's 2025/2026/2027 EPS are 5%/7%/10% above consensus, and his 2027 free cash is 23% above the Street. His deep dive into the Navy budget, and into the executive order on maritime shipbuilding, gives him confidence in a growth acceleration and margin expansion in the forward. The stock has a low bar when considering the sell-side analyst ratings distribution.

## Valuation.

12-month price target of \$265 is derived from a target relative (S&P 500) CY26E P/E of

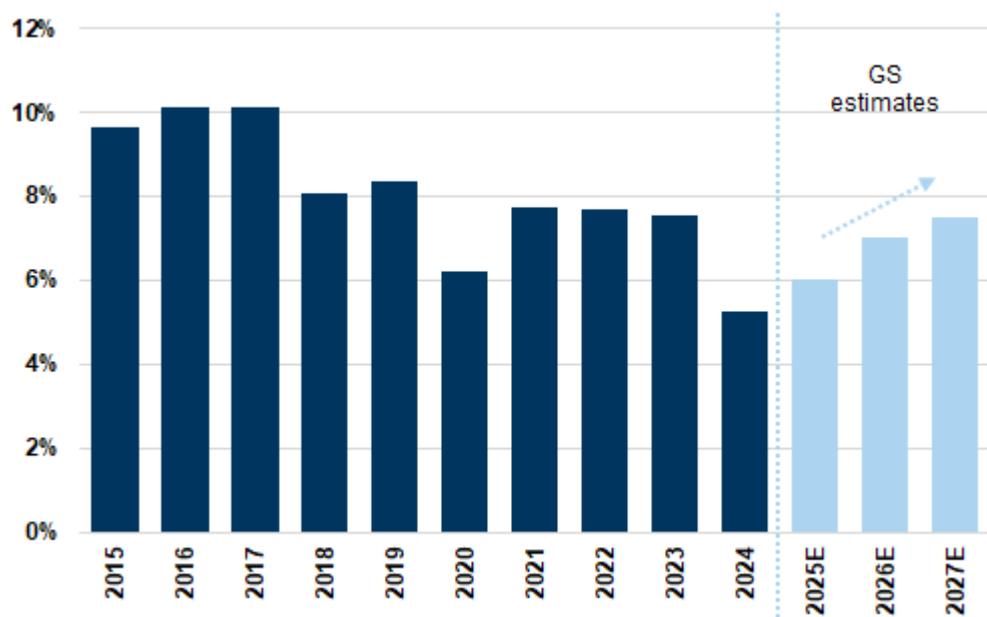
1.0X. Key risks include: (1) Geopolitics, (2) DoD spending priorities, (3) margins.

### Catalysts.

Poponak expects HII to be able to provide improved labor metrics over the near-term as they report earnings. He also expects margins to improve through the year. HII was recently awarded funding to improve labor productivity, and we expect additional awards similar to that, and for more ships, over the next several months. We expect consensus estimates to move higher.

### Key Charts.

**Exhibit 10: Poponak expects Shipbuilding margins to recover**  
% adjusted EBIT margin



Source: Company data, Goldman Sachs Global Investment Research

**Exhibit 11: Shipbuilding spending proposed in the current reconciliation language**

Enhancement of DoD Resources for Shipbuilding	
\$mn Requested	Purpose
\$ 250	Expansion of accelerated Training in Defense Manufacturing program
\$ 250	U.S. production of turbine generators for shipbuilding industrial base
\$ 450	U.S. additive manufacturing for wire production and machining capacity for shipbuilding industrial base
\$ 492	Next-generation shipbuilding techniques
\$ 85	U.S.-made steel plate for shipbuilding industrial base
\$ 50	Machining capacity for naval propellers for shipbuilding industrial base
\$ 110	Rolled steel and fabrication facility for shipbuilding industrial base
\$ 400	Expansion of collaborative campus for naval shipbuilding
\$ 450	Application of autonomy and artificial intelligence to naval shipbuilding
\$ 500	Adoption of advanced manufacturing techniques in the maritime industrial base
\$ 500	Additional dry-dock capability
\$ 50	Expansion of cold spray repair technologies
\$ 450	Additional maritime industrial workforce development programs
\$ 750	Additional supplier development across the naval shipbuilding industrial base
\$ 250	Additional advanced manufacturing processes across the naval shipbuilding industrial base
\$ 4,600	A second Virginia-class submarine in GFY27
\$ 5,400	Two additional Guided Missile Destroyer (DDG) ships
\$ 160	Advanced procurement for Landing Ship Medium
\$ 1,804	Procurement of Landing Ship Medium
\$ 295	Development of a second Landing Craft Utility shipyard and production of additional Landing Craft Utility
\$ 100	Procurement of commercial logistics ships
\$ 600	Lease or purchase of new ships through the National Defense Sealift Fund
\$ 2,725	Procurement of T-AO oilers
\$ 500	Cost-to-complete for rescue and salvage ships
\$ 300	Production of ship-to-shore connectors
\$ 695	Implementation of a multi-ship amphibious warship contract
\$ 80	Accelerated development of vertical launch system reloading at sea
\$ 250	Expansion of Navy corrosion control programs
\$ 159	Leasing of ships for Marine Corps operations
\$ 1,534	Expansion of small unmanned surface vessel production
\$ 1,800	Expansion of medium unmanned surface vessel production
\$ 1,300	Expansion of unmanned underwater vehicle production
\$ 188	Development and testing of maritime robotic autonomous systems and enabling technologies
\$ 174	Development of a Test Resource Management Center robotic autonomous systems proving ground
\$ 250	Development, production, and integration of wave-powered unmanned underwater vehicles
\$ 2,100	San Antonio-class Amphibious Transport Dock (LPD)
\$ 3,700	America-class Amphibious Assault Ship (LHA)
<b>\$ 33,751</b>	<b>Total: Enhancement of DoD Resources for Shipbuilding</b>

Source: House Armed Services Committee, Data compiled by Goldman Sachs Global Investment Research

**Relevant Research.**

- May-28: "[HII: Management meeting takeaways: substantially increased support of US Navy shipbuilding is underway; Buy](#)"
- May-1: "[HII: Better margins in quarter, plus Navy shipyard investment put on contract; Buy](#)"
- April-11: "[Aerospace & Defense: Shifting less cautious in defense as medium-term budget picture shapes up; Buy HII, LHX](#)"

# Kontoor Brands Inc. (KTB) - covered by Brooke Roach

*Strong brand momentum with attractive growth opportunity*

Brooke Roach believes the denim maker's recently completed acquisition of ski and sail-wear brand, Helly Hansen, strengthens and diversifies its existing portfolio, enabling it to expand into new, and growing, categories (outdoor/active/outerwear) and internationally. This new growth, coupled with healthy underlying trends in its base business (particularly Wrangler), creates an attractive growth profile – all while being relatively insulated from tariffs.

- **Portfolio Diversification into the Right End Markets.** Roach believes the addition of Helly Hansen to the portfolio transforms KTB's potential long-term growth and margin profile, driving a faster top-line growth outlook and providing opportunity for stronger FCF over time. Helly Hansen remains underpenetrated in the US, and Roach outlines the margin and growth opportunity as the company scales HH and integration synergies are realized.
- **The Jeans that Built America.** Beyond HH, Roach highlights brand momentum in KTB's base business. The Wrangler brand is demonstrating particular strength, driven by solid execution, strategic investments/partnerships, and demand for western wear more broadly. Additionally, Roach sees signs of stabilization in KTB's Lee brand ahead following a reset.
- **Idiosyncratic Tariff Insulation.** While Roach expects tariffs to weigh on KTB's profitability in the near term, she believes the company is well-positioned to navigate the volatile global trade and macro backdrop as a third of its production is in Mexico and it has limited exposure to China.

## **Where we are different.**

Roach is more constructive on the integration opportunity for the Helly Hansen brand vs. consensus, and our work suggests significant AUR and sales upside supported by margin tailwinds as a result of synergies. Her analysis suggests the Helly Hansen brand is underpenetrated vs. peers in KTB's core US market, particularly given its average relative price point, and she expects KTB management to leverage their prior operating experience in the outdoor market. This, combined with ongoing momentum at Wrangler on the back of healthy western trends and sequentially improving results at Lee, drives her higher earnings growth forecasts versus consensus.

## **Valuation.**

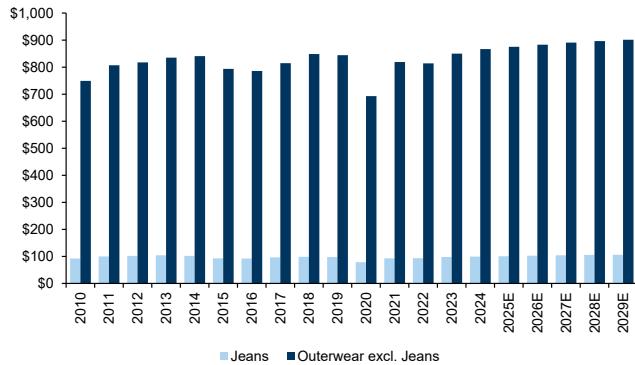
12-month target price of \$85 is based on a 10.5x Q5-Q8 EV/EBITDA valuation multiple, which reflects a ~1x premium to current trading levels due to our stronger conviction in the company's growth and margin outlook. Key downside risks include: (1) Execution missteps regarding the integration of the Helly Hansen asset; (2) Slower western trends following several years of stronger growth; (3) A longer path to Lee brand stabilization than we anticipate; (4) Key customer concentration (WMT); (5) Weaker than expected margin tailwinds, including mix shift and Helly Hansen margin expansion.

## Catalysts.

Following the completion of the acquisition of the Helly Hansen brand, investor focus moving forward is centered on earnings results, including updates on Helly Hansen integration, recent momentum at the Wrangler brand, and Lee brand stabilization. Roach also expects KTB to be a relative outperformer on any tariff news on Vietnam given the company's more limited exposure to that sourcing market. Finally, she sees scope for KTB to host an investor day and provide an update on the long-term trajectory of the business at some point over the next several quarters (after sufficient time has passed post the Helly Hansen acquisition), though this is not officially scheduled at this juncture.

## Key Charts.

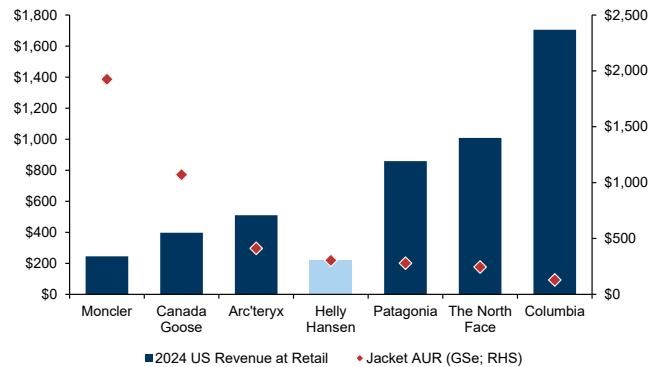
**Exhibit 12: Roach believes KTB's expansion into outerwear significantly expands the company's TAM**



Source: Euromonitor

**Exhibit 13: Roach believes Helly Hansen has ample opportunity to scale in the US (and globally), particularly given the company's attractive price/value positioning**

2024 US sales at retail estimates per Euromonitor (\$mn) vs. jacket AUR (GSe; excl. promotions; RHS)



GSe for Helly Hansen US sales at retail: assumes a 1.5x wholesale markup, US represents 25% of HH sales, and wholesale represents ~73% of HH sales.

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

## Relevant Research.

- Jun-10: "KTB: Attractive growth profile with idiosyncratic opportunity; reinstate at Buy"

# 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 (DACP) (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).

For a more detailed description of how we calculate the GS Factor Profile, please contact your GS representative.

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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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