Goldman Sachs | Equity Research

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GS EUROPEAN EXPRESS: Fintech 2.0 | Global Market Views | FOMC & BoE Preview | Germany | Oil | US Equities | BABA

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In Focus: Fintech 2.0

Fintech 2.0 – latest funding dynamics – Fintech funding levels have remained subdued as 2024 stands out as the lowest year of global fintech fundraising since 2018; funding fell c.5% y/y to $54bn, down 72% on a 3-year view vs. the peak activity levels seen in 2021 ($191bn). That said, even though private fintech companies are facing a difficult fundraising landscape, incumbent banks are advantaged by virtue of sustained organic capital generation and strong capital positions. Overall, these latest dynamics reinforce our view that a confluence of cyclical and structural factors is driving a step change in competitive dynamics and corporate strategy - towards a Fintech 2.0 landscape for European Financials. ***Request call with Chris Hallam***

Also on the Radar: Swisscom | FDJ United | Solaria

Swisscom – limited returns improvement and rerating potential – Swisscom operates within challenging Swiss and Italian market structures, which face greater competition than other European markets. We show that the poor structural quality of Swisscom's telco markets suggests its returns likely do not rise over the next three years. This appears uncompelling vs the ramping returns of the broader European telco sector. We show that while potential Italian mobile consolidation could improve group returns, Swisscom would still be in the bottom quartile vs the sector. We maintain Sell with a 12m PT of SFr450. ***Request call with Andrew Lee***

FDJ United – regulatory headwinds materialising – We remain Sell on FDJ post the FY24 results and softer-than-expected FY25 guidance, and lower our 12m price target to €29.5 (from €34.0) implying -4% downside. We lower our Group Recurring EBITDA estimates by c.5%/9% in 2025/26 to reflect the French taxes and bigger regulatory headwinds elsewhere. In the outer years of our forecasts, this is partly offset by incremental cost savings and Kindred synergies announced by FDJ, which are expected to have a gradual effect and reach at least €100mn by FY27 — our

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FY27/28 EBITDA estimates fall by c.5%. We continue to see downside on a 12-month view driven by further de-rating risk to better reflect the heightened risk profile vs. history, and softer mid-term earnings growth profile vs. peers and remain Sell rated. ***Request call with Ben Andrews***

Solaria – execution, balance sheet and prices – Execution delays, rising leverage, and the risk of much lower power prices will likely continue to cap Solaria's share price performance. Our new estimates reflect a slower rate of capacity additions over 2025-28 (+c.950 MW pa) to reflect balance sheet constraints. However, even on these forecasts, we see leverage at c.7x this year, falling to c.5.5x by 2028E. Leverage at these levels could raise concerns over the need for incremental (potentially dilutive) deleveraging measures (disposals, capital raise etc.). We lower our price target to €9.3 from €11.5. ***Request call with Alberto Gandolfi***

Macro and Markets: Global Market Views | FOMC & BoE Preview | Europe Equities | Labour Markets | Germany | Oil | Rates | FX

Global Market – double trouble for US exceptionalism – The past month has seen two important shifts across global markets. The first is a sharp re-rating lower of US growth in US stocks, rates and the Dollar, on the back of tariff volatility and the environment of broader policy uncertainty created by the new Administration. The second is a sharp re-rating higher in the fiscal impulse in Germany, with an associated uplift to Euro area growth views and more modestly in China too. Together, these two shifts pose a significant challenge to the narrative of US exceptionalism that has been a dominant market theme.

FOMC Preview – on the sidelines – At its March meeting this week, the FOMC will likely reiterate that it is not in a hurry to deliver further interest rate cuts and intends to remain on the sidelines until policy changes under the new administration become less volatile and uncertain and the outlook becomes clearer. We expect the FOMC's median economic projections to show a 0.3pp upward revision to 2025 core PCE inflation to 2.8% and a 0.3pp downgrade to 2025 GDP growth to 1.8%, mainly reflecting the tariff news. We also expect the 2026 and 2027 median dots to remain unchanged, implying a path of 3.875% / 3.375% / 3.125% over 2025 / 2026 / 2027, though with higher means each year than last time.

BoE Preview – gradualism continues – The incoming data since the February meeting have been mixed. Services inflation undershot the BoE's projections but headline inflation surprised to the upside, while GDP was stronger than anticipated. Given this, we believe a hold at the upcoming (Mar 20) MPC meeting highly likely, as we think it would have taken downside surprises in the data to push the Committee to shift to a sequential pace of cuts at this stage. We now expect the decision to hold to receive more widespread support. Looking ahead, we continue to think that a quarterly pace of cuts remains most likely.

Europe Equities – Europe growth vs US fears – We modestly upgraded our SXXP EPS growth forecast by 1pp to 4% in 2025 and 2pp to 6% in 2026 and in 2027. By contrast, our US colleagues just downgraded their 2025 S&P 500 EPS growth forecast from 9%

to 7%, consistent with weakening US economic growth. Similarly, we retain our price target of 580 for the SXXP over 12 months. While we do not expect a recession in the US we continue to recommend diversification away from the US and from concentrated positions in Tech. In Europe our preferred implementations for European economic improvement remain German cyclical (MDAX) and Fiscal Infrastructure (GSSTFISC).

Labour Markets – AI Productivity impacts – We continue to expect generative AI will eventually raise US labour productivity by 15% following its full adoption. Several commentators have speculated that generative AI has already boosted productivity growth and is one reason why US labour productivity increased by 2.7% in 2024. Our analysis suggests that the labour market and productivity impacts of generative AI have been negligible outside of a few specific industries. While recent improvements in model capabilities and falling costs suggest this will change in the coming years, the AI impact on overall labour market and productivity measures appears small for now.

Germany – compromise on fiscal package – The CDU/CSU, SPD and Greens have reached an agreement on the fiscal package proposed by the CDU/CSU and SPD. The package contains three pillars: First, an exemption of defence spending, now broadly defined, above 1% of GDP from the debt brake limits. Second, a EUR 500bn off-budget fund to finance additional infrastructure and climate protection investments over 12 years. Third, an increase in the allowed deficit limits for the federal states to 0.35%, up from 0.0% currently. We now see only limited risks that this package is not passed in the Bundestag (March 18) and the Bundesrat (March 21).

Oil – slower US GDP growth; lower prices – We reduce by $5 our December 2025 forecast for Brent to $71/bbl (WTI to $67), our Brent range to $65-80, and our 2026 average forecast to $68 for Brent (WTI to $64). That said, we expect prices to recover modestly in coming months as we assume more resilient GDP growth than priced, a recovery in valuation, and no easing in Russia energy sanctions. Buying protection against further medium-term downside to prices should be attractive for producers once we get a short-term price recovery. Rising downside risks to demand also reinforce our recommendation that refiners hedge deferred distillate margins.

Rates – data to decide – The modest left tail priced into US rates leaves us comfortable with the view that the asymmetry remains towards clearer signs of weakness from incoming growth data for now, though the absence of bad news in the coming weeks could see that assessment decay. The German fiscal package has been agreed among the major parties and with Bund yields hovering close to our end-2025 forecasts, the market will likely need some other catalyst to push yields higher still. Next week's BoE is likely to keep UK front-end rates in a holding pattern, however further moves higher in the BoE's quarterly inflation expectation survey tilt the risks towards a flatter curve.

FX – less bang for the buck – The seismic changes on both sides of the Atlantic underscore the challenges facing FX markets—and reinforce our longstanding view that there is value in both tails of the Dollar distribution. We see three main factors that warrant special consideration for FX: the role of tariffs, the size of the moves so far versus fundamentals, and the Dollar-specific misalignment in FX valuations.

Around the World: US Equities | Americas Retail | Alibaba

US Equities – risks to capital markets activity – Due to the softer macroeconomic and market backdrop, we reduce our forecast for completed 2025 US M&A volume growth to +7% (from +25%). Downside risk to the capital markets outlook also creates risk to one of the arguments for owning large-cap Banks. While the economic and capital markets outlooks have softened, our Banks analysts remain optimistic regarding the boost from deregulation on profitability. The historical relationship between ROE and P/B valuation suggests a 1.5 pp boost to ROE could lift Bank P/B multiples by 0.5x.

Americas Retail – stocks in recession scenarios – Given the ongoing market volatility, we analyse previous recession impacts in the Hardlines/ Broadlines/ Softlines sectors. We note that as of February '25, consumer fundamentals remain solid despite softer retail sales We still see the consumer as a source of strength, as our Economics team forecasts a healthy pace of real consumer growth of +2.2% in Q4/Q4 terms in 2025 (vs. 3.2% in 2024). However, investor questions are increasingly focused how to be positioned more defensively. Based on this, we recommend the following names: WMT, BJ, TJX, BURL (on CL), and ROST.

Alibaba – key debates on Cloud capex targets and outlook – Investor debates following Alibaba's three-year capex target uplift and share price outperformance have centered around the potential returns of its anticipated spending, and capex scenarios under the backdrop of evolving chip supply/constraints and increasingly efficient Chinese AI models. We address five key debates around capex, growth/margins and latest AI model developments, where we are most different on our below-street capex forecasts, as we continue to factor in AI hardware supply uncertainties/constraints, while we are above-street for Alibaba Cloud FY26-27E revenue and margin forecasts, as we expect Alibaba's AI capex ramp up, proliferation of AI applications/agents, coupled with high-end chip supply tightness/potential constraints will sustain elevated AI training margins. Buy.

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- Biopharma Innovation Forum | 25-27 Mar | London | Healthcare
- European Retail and Consumer Staples Conference | 13-14 May | London | Consumer | Save the Date
- Electrify Europe: Utilities and Clean Energy Conference | 19-20 May | London | Utilities | Save the Date
- Digital Infrastructure Conference | 22 May | London | TMT | Save the Date

BSLT

- Intertek Group [ITRK L] | 1 Apr (CEO-Toronto)

Consumer & Retail

- Deliveroo Holdings PLC [ROO L] | 19 Mar (Chicago), 24-25 Mar (London) | CEO, CFO, IR
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- Anheuser-Busch InBev [ABI BR] | 26 Mar | Paris | IR
- Zabka Polska [ZAB WA] | 26-27 Mar | London | CEO, CFO, CSO, IR
- Kingfisher [KGF L] | 26-28 Mar | London | CEO, CFO
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- Industrie De Nora SpA [DNR MI] | 1 Apr (Frankfurt), 2 Apr (Stockholm) | CEO, CFO
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- M&G Plc [MNG L] | 31 Mar-1 Apr | London | CEO, CFO
- Eurazeo [RF FP] | 1 Apr (New York), 2 Apr (Chicago) | Co-CEO, IR
- ABN AMRO - Chair's Forum Lunch [ABNd AS] | 20 May | London | Chairman

Healthcare

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- Biopharma Innovation Forum | 25-27 Mar | London | Conference
- GSK Plc [GSK L] | 26 Mar (Zurich), 27 Mar (Geneva) | IR

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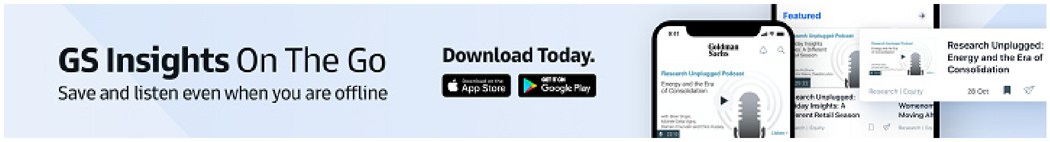

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Global Market Views: Double Trouble for US Exceptionalism

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Asia Equity

Navigating China Internet: What to expect & key investor focuses into mega-caps Tencent, Meituan & PDD prints

17 Mar 2025 | 12:25am| 15pg| Research | Equity-Ronald Keung, CFA and others

Alibaba Group (BABA): Addressing key debates on Alibaba Cloud capex targets and outlook; Buy

17 Mar 2025 | 12:24am| 32pg| Research | Equity-Ronald Keung, CFA and others

Samsung SDI Co. (006400.KS): W2tn rights issuance

16 Mar 2025 | 10:02pm| 9pg| Research | Equity-Nikhil Bhandari and others

Sigma Healthcare Ltd. (SIG.AX): A vertically integrated Retail Pharmacy leader with scaled cost and franchise advantages; initiate at Neutral

16 Mar 2025 | 2:52pm| 40pg| Research | Equity-Lisa Deng and others

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Industrials

GATX Corp. (GATX): Positive read-throughs to GATX's aircraft spare engine business on back of 2025 ISTAT Conference, Reiterate Buy

17 Mar 2025 | 9:36am| 9pg| Research | Equity-Andrzej Tomczyk, CFA and others

Telecom Services

Swisscom (SCMN.S): Limited returns improvement and rerating potential as Swiss weakness outweighs benefits from potential Italian consolidation; maintain Sell

17 Mar 2025 | 10:31am| 20pg| Research | Equity-Andrew Lee and others

Utilities

Solaria (SLRS.MC): Execution, balance sheet and prices; stay Neutral

17 Mar 2025 | 10:31am| 12pg| Research | Equity-Alberto Gandolfi and others

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