

CIO Industry Guide

February 2025.

Tech Reigns

Tech remains the leading sector for investment having attracted the highest inflows this quarter. Financials and industrials also experienced significant inflows, positioning them just behind tech on a sectoral basis

Poised For Growth

Financials, tech, and consumer discretionary industries reported the highest earnings beat in the latest reporting season; S&P 500 is poised for a robust earnings growth of c.14% in 2025

DeepSeek Rising

The emergence of DeepSeek has raised questions about the long-term demand of high-end chips, though it has boosted optimism on the outlook for GenAI end users such as content platforms and softwares companies

Tariff Troubles

While industries like hypermarkets and sports apparel are likely to be hit by Trump's tariffs, industries that are well-insulated include oil & gas, financials, payment platforms, as well as software and content platforms



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Foreword



Instinct often gets in the way of reality. The idea of mutually assured destruction (explored decades before the invention of atomics) outlines how the existence of a sufficiently destructive weapon would, ironically, threaten the annihilation of all parties and result in peace. In boxing – as described in the film *Million Dollar Baby* – one steps towards the pain instead of running from it “like a sane person would do.”

Trump, for example, has initially presented his sweeping tariffs as a way to strong-arm foreigners into contributing to the US’s coffers. Instinctively, this sounds plausible to the average joe. But this is hardly the reality. Tariffs are imposed on imported goods. So tariffs are paid by those trying to import them and research shows that for a majority of cases, it is the American consumer that ultimately pays.

Estimations from the Tax Foundation indicate that a 25% tariff on Canada and Mexico, plus an additional 10% on China, would translate to an average tax increase of USD800 per US household in 2025, not accounting for a weakened economy or impact on income. This regressive way of taxation means that those with less end up paying more – a larger proportion of their income as taxes.

Compound that with the fact that tariffs are widely seen as inflationary, and it will come as little surprise if American families start filling their shopping carts with *Sergeant Crisp Generic Breakfast Cereal* rather than Cap’n Crunch. But if the average American consumer is trading down, Wall Street is on a race to the top – of the AI food chain.

The emergence and dominance of Chinese GenAI tool DeepSeek has led to what many are calling a “Sputnik moment” – a revelation of America’s technological lag with its competitors and the ensuing rush to catch up and supersede.

While DeepSeek might have dealt an initial blow to the US stock markets, it’s hard to argue that competition breeds progress. The Space Race, which began with the Soviet Union’s launch of Sputnik 1, gave us everything from freeze dried food to GPS. In the same vein, DeepSeek only serves to accelerate the overall development of AI, broadening its adoption across industries.

If GPS alone has accounted for USD1.4tn in economic value since its inception in 1983, I cannot wait to see the kind of positive impact AI can have on the world. Hopefully by then, tariff pains will seem like a minor pinprick in light of the kind of value AI can generate.

”

Dylan Cheang

**Senior Investment Strategist &
Head, CIO Content Management**

Industry Highlights



Aerospace and Defence

Aircraft OEMs are expected to take centre stage as supply chain stabilisation should enable combined passenger aircraft deliveries by Airbus and Boeing to surge at a 20% CAGR over FY24-26F.

[Read article on pg.](#)



Consumer Electronics

The rise of on-device AI in smartphones and PCs will benefit companies with significant exposure to this market, such as Xiaomi and Lenovo.

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Content Platforms

Streaming players boost profitability as ads, pricing, and live content fuel growth with Netflix leading the charge and Disney following behind.

[Read article on pg.](#)



Data Centres

Chinese data centre players, GDS and VNET, are the biggest beneficiaries of models like DeepSeek which reduces their reliance on Nvidia's high-end chips.

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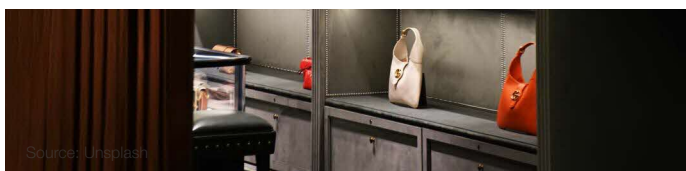


Financials

Global banks like HSBC are well-prepared for the rate cut cycle, while the "higher-for-longer" interest rate environment will be supportive of banks' NIM.

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Luxury

The luxury landscape maintains a polarised dynamic with a rising preference for quiet luxuries including Hermès, Brunello Cucinelli, and Zegna, as well as fashion-forward labels such as Miu Miu.

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Oil & Gas

Oil serves as a relative safe haven amid policy and tariff uncertainties. US majors like ExxonMobil and ConocoPhillips are set to benefit from inorganic growth kickers in 2025.

[Read article on pg.](#)



Semiconductors (Fabless)

The design-driven agility of fabless chipmakers positions them to lead technological advancements, benefitting players like Nvidia, Broadcom, and AMD. However, Nvidia's dominance could be challenged with the rise of DeepSeek.

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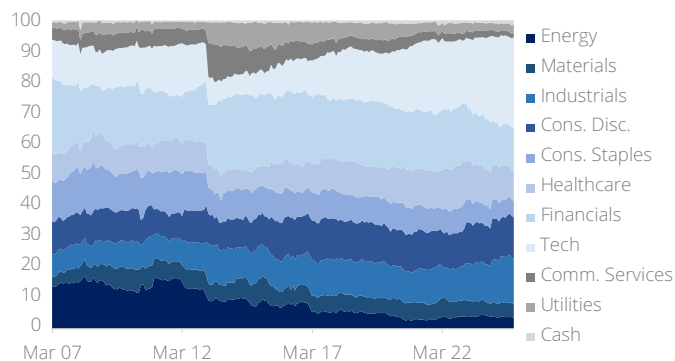


Sports Apparel

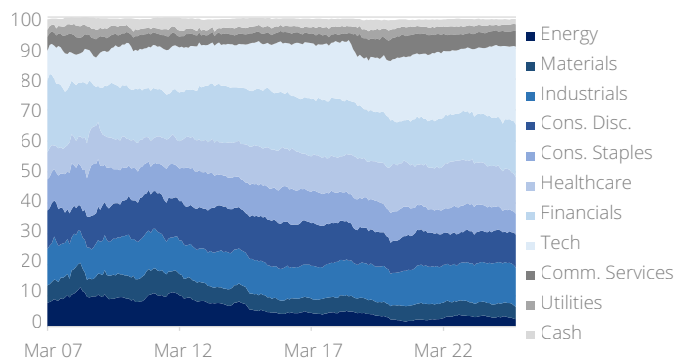
Incumbents continue to face growing pressure from smaller, more agile rivals. On the footwear front, On and Deckers' Hoka brand saw robust performance, while Nike's performance weakened.

Sector Overview

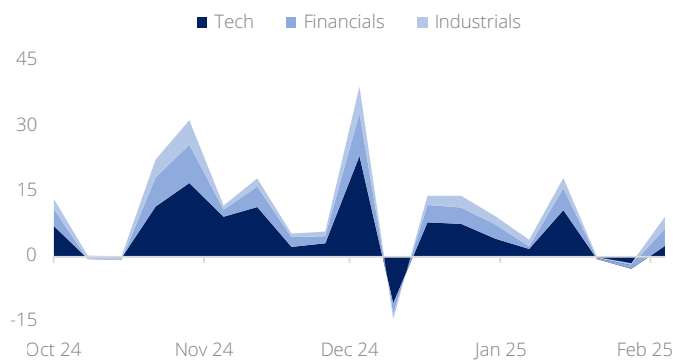
Benchmark's sector allocation



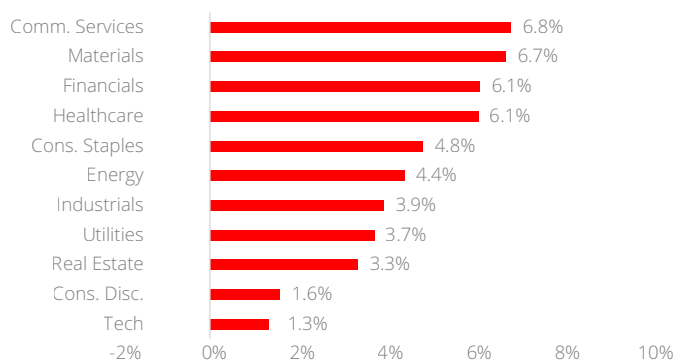
Market's sector allocation



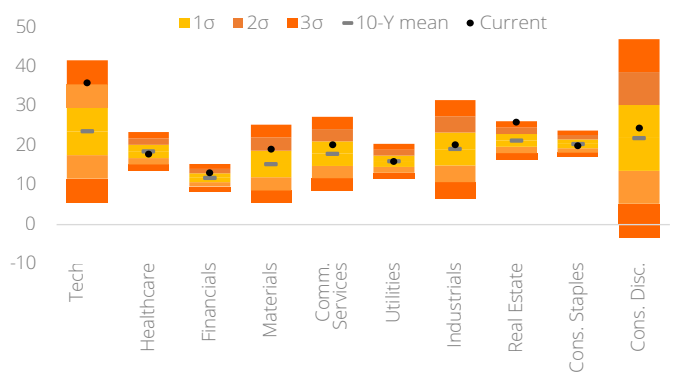
Top 3 sectors leading the charge in quarterly inflows



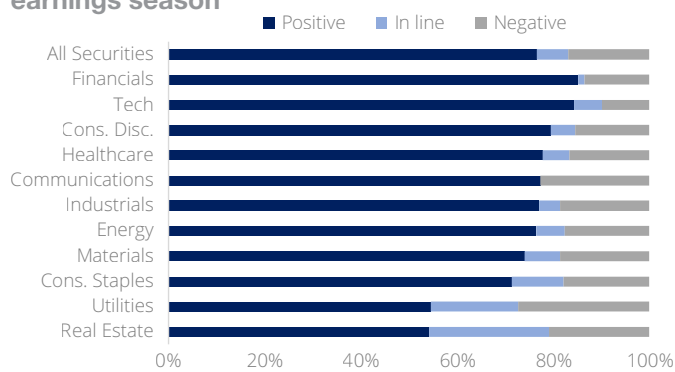
Sector performance (YTD)



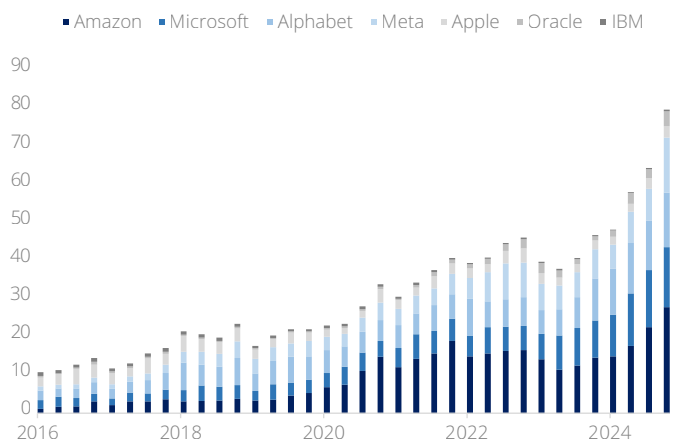
Utilities and staples forward P/E are below their 10Y mean



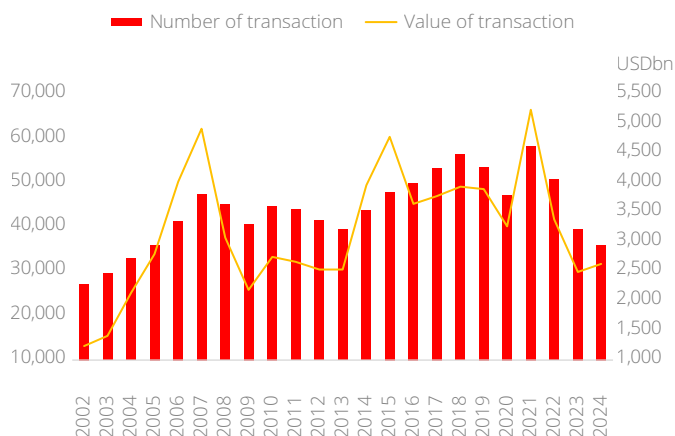
Financials, tech, and cons. disc. leading the pack in earnings season



Hyperscaler capex (USDbn)



Global M&A activities



Source: Bloomberg, IMAA, EPFR Global, DBS
Data as at 21 Feb 2025

Sectoral metrics across various regions

	YTD Perf. (%)	P/E (x)	P/Book (x)	P/Sales (x)	EV/ EBITDA (x)	ROE (%)	ROA (%)	OPM (%)	GPM (%)	EBITDA Margin (%)	Debt to Equity (%)	Div. Yield (%)
United States												
US Equities	2.5	26.9	5.3	3.2	16.8	18.1	7.8	13.6	34.9	19.9	116.7	1.2
Financials	4.9	17.2	2.3	3.5	15.5	13.2	1.2	18.4	-	28.2	188.9	1.7
Energy	5.9	14.9	2.0	1.4	7.0	13.7	7.3	11.2	31.3	19.2	40.7	3.3
Technology	0.1	40.6	12.6	9.1	27.2	28.3	26.8	25.4	54.1	32.5	60.3	0.6
Materials	5.0	20.6	2.6	2.0	11.0	12.3	6.2	12.5	29.6	19.7	62.2	1.9
Industrials	2.1	23.9	6.0	2.7	15.5	23.9	7.4	12.9	28.7	17.8	115.9	1.5
Cons. Staples	6.5	22.5	6.8	1.5	16.7	24.9	9.7	7.0	27.8	9.6	124.3	2.5
Cons. Disc	-2.7	31.9	10.0	2.9	18.1	29.1	8.8	10.7	36.4	16.6	164.0	0.6
Comm. Services	4.5	20.5	4.3	4.2	11.8	20.2	13.7	22.5	59.1	34.4	69.3	0.9
Utilities	6.1	18.1	2.1	2.7	12.1	11.9	3.7	21.2	64.5	36.7	162.9	3.0
Healthcare	6.2	18.1	4.5	1.5	13.5	20.6	11.9	7.1	27.8	10.5	86.3	1.8
Real Estate	3.8	47.1	3.1	6.8	19.7	7.4	3.2	23.5	-	44.2	107.0	3.3
Europe												
Europe Equities	10.8	15.7	2.2	1.5	9.9	11.9	1.0	12.1	34.0	17.7	175.5	3.2
Financials	14.7	10.0	1.3	1.3	-	12.7	0.6	17.3	-	-	341.3	5.0
Energy	10.0	8.9	1.1	0.6	3.5	12.6	4.9	11.6	26.4	20.1	51.5	5.4
Technology	11.8	30.4	5.2	4.9	18.8	16.0	6.0	15.5	50.8	21.7	29.3	1.2
Materials	8.4	17.7	1.8	1.1	8.9	6.3	4.4	7.3	23.9	13.5	50.2	3.1
Industrials	11.6	24.6	3.9	1.7	11.4	15.7	6.2	10.2	34.3	15.1	94.1	2.2
Cons. Staples	4.9	15.5	3.0	1.4	11.3	15.1	6.1	9.4	40.2	15.6	100.4	3.4
Cons. Disc	11.6	18.7	2.1	1.3	7.7	10.7	5.8	9.5	32.0	15.5	88.6	2.3
Comm. Services	15.0	19.9	2.1	1.6	6.8	9.4	2.1	14.1	55.0	33.1	118.3	3.0
Utilities	3.1	12.1	1.5	0.9	7.4	12.3	3.2	13.5	30.8	21.9	128.8	5.3
Healthcare	10.2	16.5	3.5	3.3	11.4	17.7	10.3	18.4	67.2	26.9	50.2	2.5
Real Estate	2.1	14.2	0.8	6.4	23.8	2.8	3.0	-18.3	-	-16.0	107.0	4.2
Asia ex-Japan												
AxJ Equities	6.3	15.4	1.8	1.6	10.8	11.5	0.9	12.2	26.1	17.1	99.9	2.4
Financials	3.4	9.3	1.1	2.2	-	11.9	0.8	23.3	-	-	192.3	3.8
Energy	-3.3	11.1	1.1	0.5	5.3	10.2	4.5	7.4	24.9	12.1	47.4	4.4
Technology	5.6	16.6	2.8	1.7	8.4	17.1	12.5	10.9	22.7	18.2	12.8	2.2
Materials	2.6	22.9	1.2	0.8	8.8	5.2	4.1	6.0	19.6	11.5	65.3	2.1
Industrials	1.6	13.8	1.4	1.0	7.9	9.8	1.6	9.0	22.8	14.6	75.7	2.7
Cons. Staples	-2.0	21.2	3.0	1.4	11.7	13.9	6.5	9.3	29.4	13.1	59.7	2.7
Cons. Disc	16.9	16.5	2.3	1.3	8.6	13.8	3.9	8.3	26.7	11.4	43.3	1.3
Comm. Services	17.1	21.6	2.8	4.2	11.6	11.9	8.7	19.7	48.1	31.4	46.2	1.5
Utilities	-6.8	12.6	1.4	1.1	8.9	10.6	3.9	14.1	25.9	24.6	124.5	4.0
Healthcare	2.6	38.3	3.6	2.4	20.3	9.2	6.5	8.5	32.8	12.3	30.9	0.8
Real Estate	-2.3	14.2	0.6	1.7	12.7	4.5	2.1	16.8	28.6	20.4	43.0	4.2

Source: Bloomberg, DBS
Data as at 21 Feb 2025

A white SUV is shown driving through a vast desert landscape of rolling sand dunes. The vehicle is positioned in the lower-left quadrant of the frame, moving towards the right. It is kicking up a large, billowing cloud of orange-brown sand that trails behind it, partially obscuring the rear of the car. The dunes are smooth and undulating, stretching towards the horizon under a clear sky. The overall color palette is dominated by warm, earthy tones of sand and sky.

The Fed has long been the main driving force for rates.

SHIFTING GEARS

But in Trump 2.0, the president's mercurial, and yet very influential, statements have taken over the driver's seat.

The question is: how long can this last? It is unfeasible to pivot whenever a new tariff rhetoric emerges.

Look out for tariff fatigue and the revival of a rates-based narrative.

Aerospace and Defence

Joanne Goh
Strategist

Jason Sum, CFA
Analyst

Source: Unsplash



Shifting into a new gear

The global aerospace and defence industry, spanning commercial aviation, military equipment, and services, achieved revenues of USD829bn in 2023. Driven by population growth and an expanding middle class, passenger traffic is projected to grow at a 3-4% CAGR over the next two decades, bolstering aircraft demand. A significant rise in global defence spending is also anticipated, given elevated geopolitical tensions and conflicts. Boeing, Airbus RTX, GE Aerospace, and Rolls-Royce are leaders in the commercial aerospace segment, while US defence contractors dominate the defence market.

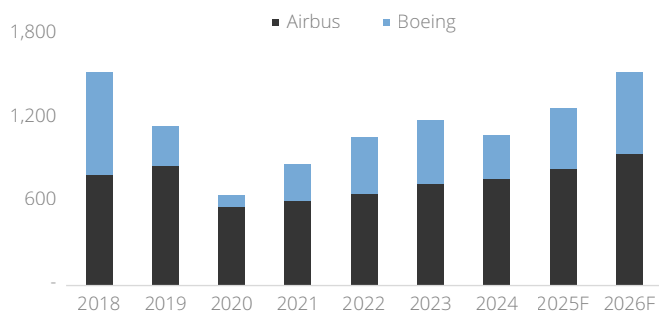
Pandemic weakness lingers. Combined Airbus and Boeing passenger aircraft deliveries fell 9.5% in 2024 as the commercial aerospace supply chain continues to feel the pandemic's impact from labour shortages and permanent loss of experienced workers. Financial stress on tier 2/3 and specialised suppliers disrupt output even further. Although engine OEMs faced supply chain bottlenecks, they benefitted from prolonged delivery delays which kept older aircrafts in service longer and

drove demand for lucrative aftermarket engine services and spares. With substantial order backlogs and resilient air travel demand, execution risk remains the main hurdle to earnings growth for the sector.

Engine OEMs extended their strong performance through 4Q24, while airframers continued to struggle. Both GE Aerospace and RTX exceeded expectations, driven by robust aftermarket demand and a favourable revenue mix that lifted margins. They topped their FY24 adjusted EPS targets by 8% and 3% respectively and guided for 15% and 6% growth in FY25. Boeing, on the other hand, had a difficult quarter as work stoppages drove negative free cash flow of USD2bn. Still, management remains optimistic about restoring B737-MAX output and materially improving cash generation in 2H25. Meanwhile, Airbus narrowly missed its 2024 delivery target of 770 aircrafts, but tentative guidance from engine OEMs suggested a 15-20% boost in engine output (currently a major bottleneck), pointing to a more positive outlook for 2025.

2025 could finally be the year for aircraft OEMs. Although the overall sector outlook remains positive, we anticipate that following a stellar run, engine OEMs may step out of the limelight, allowing aircraft manufacturers to take centre stage as supply chain conditions gradually improve. Overall, we project total passenger aircraft deliveries to surge at a 20% CAGR over FY24-26, underpinned by closer collaboration and financial support between suppliers and OEMs, as well as production streamlining and process improvements. While fundamentals remain favourable in the aftermarket space, we believe moderating earnings momentum could cause engine OEMs to underperform relative to their aircraft-manufacturing peers.

Historical and projected commercial aircraft deliveries



Source: Airbus, Boeing, DBS

Table 1:

Company Commentary

Name	DBS Rating	Target Price	Rationale	Analyst
Airbus (AIR FP)	BUY	EUR200.00	We remain optimistic about Airbus's medium-term earnings outlook. This is underpinned by an improving supply chain, a production ramp-up driving a 10% CAGR in aircraft deliveries, the transformation of its space business, and greater economies of scale. Market expectations have been reset following its profit warning in Jun 2024, but there is potential upside to consensus estimates for FY25–26F if Airbus successfully executes its production targets. Valuations have also become more attractive with the current share price presenting a compelling entry point into a multi-year growth story of rising earnings and robust free cash flow generation.	Jason Sum
Boeing (BA US)	BUY	USD240.00	Getting their act together. We are upbeat about Boeing and anticipate a potential earnings and free cash flow inflection from 2H25. With a cleaner balance sheet, the group is taking concrete steps to resolve supply chain bottlenecks, address defects, and enhance overall manufacturing quality which should enable it to meaningfully increase aircraft output by 35–40% annually over FY24–26F. Although the company holds an order backlog exceeding USD0.5tn, execution risk remains a key concern due to its poor track record. However, we see a credible path toward its free cash flow target of USD10bn by 2027, and rather than attempting to time the market, we remain overweight on the stock.	Jason Sum
GE Aerospace (GE US)	BUY	USD240.00	Position of strength. We are bullish on GE Aerospace given its (i) dominance across both narrowbody and widebody engines (a segment with exceptionally high technical moats), (ii) substantial and growing installed base and strong order cadence which supports earnings visibility and an adjusted EPS CAGR of 20–25% over FY24–26F, (iii) excellent free cash flow generation enabling share buybacks (USD5.4bn in FY24), and (iv) stellar balance sheet strength. While valuations are lofty with GE trading in the low 30s on FY26 adjusted EPS, we believe they are justified by its stellar earnings growth trajectory.	Jason Sum
RTX (RTX US)	HOLD	USD120.00	Slower start. We remain neutral on RTX, anticipating a steady 10–15% earnings CAGR over FY24–26F. While this outlook is broadly positive, it lags the stronger momentum seen at other commercial aerospace players and appears largely priced in. On the commercial side, the outlook remains favourable, supported by resilient aftermarket demand and improving conditions at both Boeing and Airbus which are bolstering OE demand. Nonetheless, higher OE deliveries will dilute its operating margins, thereby curbing some of the potential upside. Furthermore, there is downside risk from potentially lower US defence spending which could weigh on RTX's earnings if defence budgets are scaled back.	Jason Sum

Source: DBS
As at 12 Feb 2025

Table 2:

DBS Coverage at a Glance

Bloomberg Ticker	Company	DBS Rating	DBS Target Price (LCY)	Market cap (USDbn)	Fwd. P/E (x)	Div. yield (%)	1Y Fwd EPS Growth (%)	Geography	Analyst
GE US	GE Aerospace	BUY	USD240.00	224.0	38.3	0.5	-9.9	United States	Jason Sum
RTX US	RTX	HOLD	USD120.00	166.7	20.4	2.0	71.3	United States	Jason Sum
AIR FP	Airbus	BUY	EUR200.00	137.3	23.9	1.7	-	France	Jason Sum
BA US	Boeing	BUY	USD240.00	135.7	-	-	92.1	United States	Jason Sum
STE SP	ST Engineering	BUY	SGD5.40	11.8	22.3	3.2	20.6	Singapore	Jason Sum

Source: Bloomberg, DBS
Data as at 20 Feb 2025

Auto Parts

Benjamin Goh
Analyst

Rachel Miu
Analyst

Elizabelle Pang
Analyst



Stable production, varied opportunities

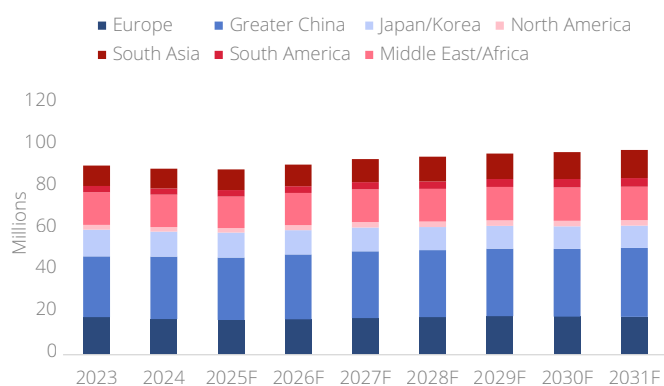
Global light vehicle sales and production in 2024 reached 89.6mn (+1.7% y/y) and 89.1mn (-1.6% y/y) respectively, led by strong growth from China. By 2030F, global light vehicles production is forecasted to grow by a steady +0.9% CAGR, driven by China (+1.4% CAGR) and South Asia (+3.5% CAGR). Largest light vehicle production markets include China (30mn at 35% global share), Europe (17mn, 19%), and North America (15mn, 17%).

Stable 2025 light vehicles production outlook, with mixed opportunities for auto parts suppliers. 2025F light vehicle production is expected to remain stable y/y at around 89mn, supporting stable demand for auto parts. However, suppliers could face divergent opportunities due to policy changes, trade tariffs, and evolving consumer preferences. In the US, xEV outlook remains uncertain following the reversal of Biden's 50% EV sales target for 2030 and suspension of funding for

the IRA. In contrast, EU and China maintain robust xEV prospects with EU's new stringent CO2 vehicle emission standards and China's trade-in subsidies. Potentially higher tariffs under Trump 2.0 may also put downward pressure on auto parts suppliers' margins, as suppliers may have to absorb higher costs instead of passing it onto price-conscious consumers. Despite these challenges, smart vehicles development remains a growth area, fueling demand for high value ADAS auto parts.

4Q24 earnings signal positive momentum in xEV, ADAS, and China. Global auto parts suppliers continue to benefit from their customers' stable vehicle production volumes, as evidenced from recent 4Q24 earnings that met expectations (e.g. Denso), with electrification and ADAS highlighted as growth areas. Chinese automakers are also forecasted to see strong auto sales growth, outpacing their Japanese, European, and US counterparts, thereby translating into a brighter outlook for auto parts demand from the China market.

Global light vehicle production forecast (mn) by markets



Source: S&P Global Mobility, DBS

Position in growth areas and buy on dips. Given the evolving 2025 outlook, we favour auto parts suppliers with (i) wide product capabilities (particularly ADAS and xEV) and (ii) diversified global exposure. While trade tariffs could pose volatility to auto parts suppliers' share prices, we foresee manageable impact for most suppliers given their localised manufacturing capacity. As medium-term FY23A-FY26F earnings outlook for auto parts suppliers remains robust at 20%-70% CAGR, we recommend investors to buy on dips in the event of share price volatility arising from ongoing Trump tariffs. Top picks are Minth, Denso, and Valeo, while we watch Nexteer for ongoing tariff headwinds.

Table 1:

Company Commentary

Name	DBS Rating	Target Price	Rationale	Analyst
Minth (425 HK)	BUY	HKD19.40	Rich orderbook backdrop provides steady earnings growth. Minth reported 1H24 revenue growth of +14% y/y on its strong battery housing business (+33% y/y) and overseas expansion (+2% y/y to 59% share). With order backlog of >CNY200bn, Minth's FY23A-26F earnings growth outlook remains robust at 18%. Minth trades at undemanding valuations at forward PE of 6.1x (-0.8 SD below historical mean) with forward dividend yields of 6%. NEV and overseas growth act as positive catalysts. Tariff headwinds are manageable with Minth's 20% North America exposure.	Rachel Miu
Nexteer (1316 HK)	BUY	HKD4.50	Global leader in steering systems and autonomous driving beneficiary. To-date, the company has secured new orders worth USD6bn thereby providing healthy earnings visibility at FY23A-FY26F earnings CAGR of 70%. The stock is trading at forward PE of 8x (-0.25 SD below historical mean) with forward dividend yields of 2.5%. Rapid expansion of its Chinese business and autonomous driving tailwinds are positive catalysts, though there could be some tariff headwinds with Nexteer's >50% North America exposure.	Rachel Miu
Valeo (FR FP)	BUY	EUR12.50	Burgeoning EU xEV segment to drive margins recovery. Going forward, Valeo will focus on delivering margins over its topline revenue/orderbook via selective order intake, R&D efficiency, and cost reduction programmes. Electrification trends in EU with EU's upcoming CO2 regulations is set to be a major earnings driver, with Valeo forecasted to see FY23A-26F earnings CAGR of 37%. Valeo trades at 5.9x forward PE (-0.7D below historical mean) with forward dividend yields of 6%. Tariff headwinds are manageable with 20% North America exposure.	Elizabelle Pang
Denso (6902 JP)	BUY	JPY2,800	Margin turnaround story on Toyota's recovery. Denso has witnessed margin improvements on a q/q basis as its key customer (i.e. Toyota which contributes >50% to Denso's revenue) resumed production in 2H24. We believe Denso should be able to sustain margin recovery on the back of key customers' robust auto output and demand for high-value products related to electrification and ADAS, with FY3/24A-FY3/26F earnings CAGR of 30%. Denso is trading at a forward PE of 11.9x (-0.4 SD) with forward dividend yields of 3.5%. Tariff headwinds are manageable with 25% North America exposure.	Elizabelle Pang

Source: Bloomberg, DBS
Data as at 4 Feb 2025

Table 2:

DBS Coverage at a Glance

Bloomberg Ticker	Company	DBS Rating	DBS Target Price (LCY)	Market cap (USDbn)	Fwd. P/E (x)	Div. yield (%)	1Y Fwd EPS Growth (%)	Geography	Analyst
425 HK	Minth	BUY	HKD19.40	3.1	10.0	-	19.2	Hong Kong	Rachel Miu
1316 HK	Nexteer Automotive	BUY	HKD4.50	1.8	22.1	0.4	220.0	Hong Kong	Rachel Miu
FR FP	Valeo	BUY	EUR12.50	2.8	9.7	3.6	23.8	France	Elizabelle Pang
6902 JP	Denso	BUY	JPY2,800	37.3	12.3	3.2	48.6	Japan	Elizabelle Pang

Source: Bloomberg, DBS
Data as at 20 Feb 2025

Consumer Electronics

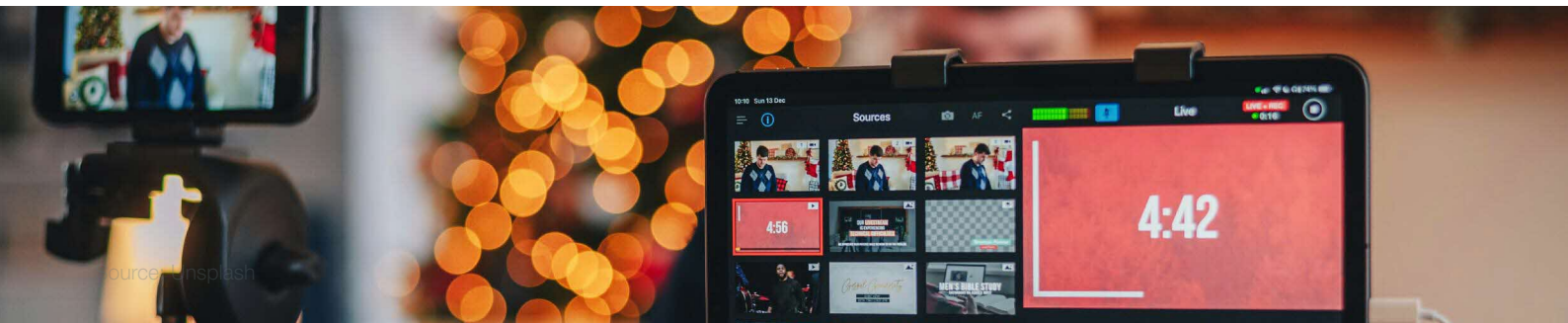


Yeang Cheng Ling
CIO, North Asia

Ling Lee Keng
Analyst

Daryl Lim, CFA
Analyst

Jim Au
Analyst



China's AI breakthrough

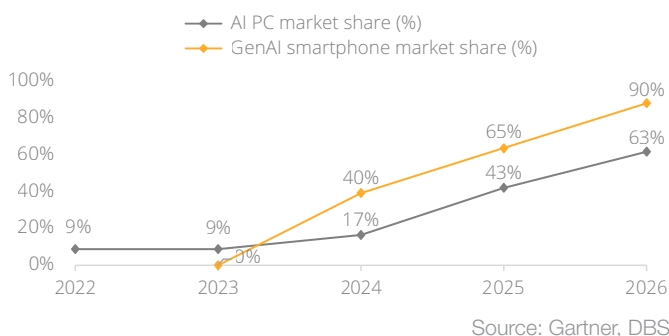
AI smartphones and PCs are expected to drive growth in the consumer electronics market over the coming years. Fuelled by GenAI, custom user experiences, and processing power upgrades, AI smartphone and AI PC shipments are projected to achieve CAGRs of 29% and 58% respectively from 2024-2028. The market remains highly concentrated, with Apple, Samsung, and Xiaomi dominating the smartphones segment with market shares of 19%, 18%, and 14%, respectively. Similarly, in the PC sector, Lenovo, HP, and Dell command prominent market shares of 24%, 20%, and 15%, respectively.

China's GenAI breakthrough to boost AI device penetration. The strong worldwide reception of DeepSeek has demonstrated China's ability to innovate in the AI space despite facing US restrictions on AI technology exports. The adoption of DeepSeek is expected to enhance the AI capabilities of smartphones and accelerate their market penetration. For instance, Huawei's cloud-computing unit has partnered with Beijing-based startup SiliconFlow to integrate DeepSeek's AI models (V3 and R1) into their Ascend cloud service, delivering performance set to be on par with premium global GPUs for smartphones. Additionally, DeepSeek also facilitates the growth of

China's self-developed AI cloud solutions, providing an alternative to ChatGPT (which is unavailable in China) for companies like Apple to meet their AI needs within the country. Ongoing advancements in China's self-developed large language models is expected to further drive the growth of AI-powered smart devices and speed up end-market recovery in China.

Consumer electronics delivered robust earnings, either exceeding or meeting expectations. Apple's growth was driven by strong performance in the service and Mac business, though 1QFY9/25 iPhone sales saw slowdown due to delays in the rollout of Siri AI. Dell significantly exceeded expectations, driven by robust AI server and PC demand, while Sony's outperformance was due to strong gaming and imaging sales. Xiaomi's growth was fuelled by strong smartphone sales, reflecting the ongoing influence of premiumisation and AI trends. TDK benefitted from smartphone recovery and increased sensor/storage demand. Overall, smartphone original equipment manufacturers (OEMs) and component suppliers are poised for strong growth in 2025, with the PC market also set to accelerate, driven by AI PCs and Windows 11 migration.

AI PC and smartphone market share



Favour companies with notable exposure to the AI device market, where AI smartphone adoption already outpaces AI PCs. Among the top three smartphone manufacturers, Xiaomi is rapidly expanding its market share, while Apple, despite its dominance, faces strong competition from other Chinese brands. Meanwhile, the PC sector is gaining momentum, driven in part by mandatory hardware upgrades for Windows 11. Lenovo, a global leader in the PC arena, is well-positioned to capitalise on the anticipated surge in AI PC adoption in 2025, with its strong lineup of AI-enabled offerings. Dell and HP are also key beneficiaries of this growing trend.

Table 1:

Company Commentary

Name	DBS Rating	Target Price	Rationale	Analyst
Apple (AAPL US)	FULLY VALUED	USD210.00	Anticipated smartphone market growth is contingent on the completion of AI and updates from rival flagships. Global iPhone shipments in 4Q24 rose q/q but were weaker y/y, affected by lower sales in China. Its guidance for low-double-digit revenue growth for 2QFY9/25 suggests a delayed recovery in China's iPhone sales due to weak consumer sentiment and intense Android competition. We anticipate an acceleration in iPhone shipment growth only with the potential rollout of Siri AI and significant hardware upgrades in the iPhone 17/Air, which are expected to drive a robust replacement cycle among iOS users. Apple is projected to achieve modest growth in 2025, with gross margin expansion supported by a higher premium model mix.	Jim Au
Xiaomi (1810.HK)	BUY	HKD52.00	Anticipated smartphone market growth hinges on AI advancements and Xiaomi's aggressive push. This includes a GPU cluster exceeding 6,500 units and the recruitment of DeepSeek's core developer, thus spotlighting its commitment to large-scale AI capabilities. These initiatives should drive innovation in Super Xiao Ai while reinforcing Xiaomi's broader AI ecosystem. Given its proven track record, Xiaomi is poised to translate these investments into real-world applications, fuelling growth in premium smartphones and IoT devices. We expect the upcoming Super AI Suite to further enhance Xiaomi's product appeal, accelerating the adoption of AI-driven features.	Jim Au
Lenovo (0992.HK)	BUY	HKD17.20	Strategic focus on AI PCs to ride on the AI device inflection. Lenovo is well-positioned to capitalise on the anticipated inflection in AI PC adoption in 2025 with its AI PC offerings, including the ThinkPad and ThinkBook models, and also Yoga-series and IdeaPad-series models. We forecast a 126% y/y and 154% y/y surge in Lenovo's AI PC shipments in FY3/25F and FY3/26F, respectively, representing 20% and 47% of total PC shipments, supported by specification upgrades and increasing Copilot+ adoption. We also anticipate margin expansion, driven by its growing high-margin service business and improved profitability in its server segment, which is projected to contribute 17% of FY3/25F revenue.	Jim Au
Dell (DELL US)	BUY	USD146.40	Well-positioned to capitalise on accelerating AI adoption due to strong AI exposure. With significant AI revenue exposure (38%) projected in 2025 for Dell, we expect its hardware business to benefit from sustained demand in AI data centres and the ongoing adoption of AI PCs. Additionally, we anticipate accelerated growth in conventional servers in 4QFY25 and FY26F, driven by stronger enterprise demand, as evidenced by a 50% y/y increase in the company's backlog. Furthermore, Dell's PC shipments are expected to gain momentum in FY26F, supported by increased commercial PC replacements as companies upgrade systems to meet Windows 11 requirements.	Jim Au

Source: Bloomberg, DBS
Data as at 20 Feb 2025

Table 2:

DBS Coverage at a Glance

Bloomberg Ticker	Company	DBS Rating	DBS Target Price (LCY)	Market cap (USDbn)	Fwd. P/E (x)	Div. yield (%)	1Y Fwd EPS Growth (%)	Geography	Analyst
AAPL US	Apple	FULLY VALUED	USD210.00	3,669.4	33.6	0.4	19.8	United States	Jim Au
0992 HK	Lenovo	BUY	HKD17.20	20.1	14.4	3.3	24.9	Hong Kong	Jim Au
1810 HK	Xiaomi	BUY	HKD52.00	144.2	48.0	-	36.3	China	Jim Au
DELL US	Dell	BUY	USD146.40	77.7	15.3	1.5	75.8	United States	Jim Au
HPQ US	HPQ	BUY	USD44.00	31.4	9.7	3.2	26.5	United States	Jim Au
6758 JAP	Sony	BUY	JPY4,519	3,669.4	21.2	0.5	13.0	Japan	Jim Au
7974 JAP	Nintendo	BUY	JPY12,085	20.1	47.0	1.4	-42.0	Japan	Jim Au
6762 JAP	TDK	BUY	JPY2,227	144.2	18.9	1.5	34.3	Japan	Jim Au

Source: Bloomberg, DBS
Data as at 20 Feb 2025

Content Platforms

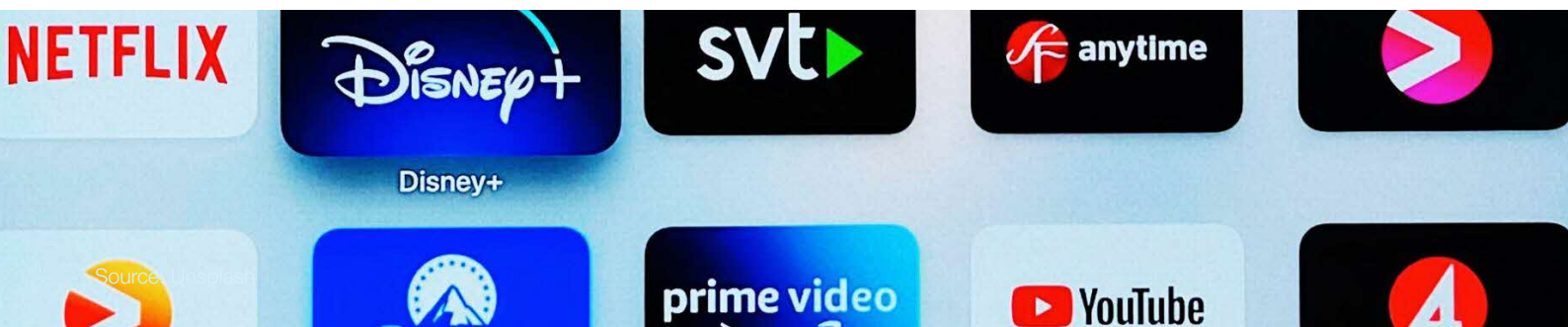


Dylan Cheang
Strategist

Sachin Mittal
Analyst

Daryl Lim, CFA
Analyst

Amanda Tan
Analyst



Big shift towards profitability

The SVOD industry offers users access to entertainment content for a recurring subscription fee. According to Statista Market Insights, industry revenue is poised to grow from USD109bn in 2024 to USD156bn in 2029, representing a CAGR of 7%. The US is the largest market with a share of c.40%. Within the oligopolistic industry, key players Netflix, Amazon Prime Video, and Disney+ hold a combined market share of above 50%.

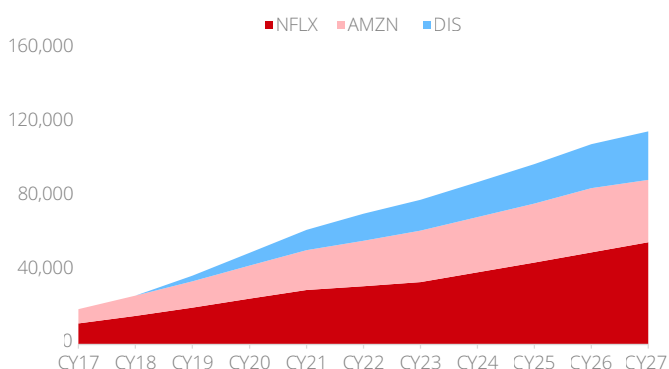
Live programming and advertising are driving growth for streaming services. For instance, Netflix saw a significant subscription growth after offering live programming. Advertising is also becoming a key driver, with membership in advertising plans increasing by c.30% q/q in 4Q24. The company also plans to launch its own ad-tech stack in 2025. Similarly, Disney has outlined plans to capture more share in advertising, using its newly developed ad-tech stack. The synergies from Disney's acquisition of Hulu have also contributed to subscriber growth.

The share of US consumers using streaming-only services rose from 51% in 2022 to 61% in 2024, a trend that is expected to continue. Pure-play streaming

companies such as Netflix are well-positioned for growth, while companies such as Disney, with exposure to both linear networks and streaming, must navigate the trade-off between lucrative cable TV contracts and developing its less profitable streaming platforms.

Streaming businesses continued to outperform expectations in 4Q24/1Q25 with a focus on profit margins. Industry bellwethers in streaming delivered better-than-expected operating income on the back of (i) subscriber growth, (ii) rise in ad-supported tiers, and (iii) an increase in retail pricing. Notably, Netflix surprised on the upside in 4Q24 with an operating profit of USD2.3bn (+52% y/y), above consensus estimates due to margin improvement, while Disney's DTC business remained profitable at the operating level in 1Q25, allowing EPS to beat guidance by 21.5%. However, Netflix's operating margins at 27% in FY24 is far ahead of Disney's DTC operating margins of 1% in FY24. Both companies are expected to see margins improve over time, with Netflix's margins projected to be significantly higher, reaching 36% in FY28. Meanwhile, consensus estimates Disney's DTC margins to be at only 14% in FY28, a result of higher costs associated with retaining subscribers and a lower economy of scale.

Netflix to keep its crown even as rivals prosper (total streaming revenue, USDmn)



Source: Visible Alpha, DBS

Prefer streaming companies over legacy content players. While subscriber growth was once the primary focus, investors are placing greater emphasis on profitability, recognising that subscriber acquisition needs to be balanced with revenue generation and effective cost management. The hybrid subscription-ad model is now gaining momentum, with advertising revenue supplementing pure subscription-based revenues. The launch of more affordable ad-supported subscription plans is expected to uplift both revenue and margins, with the scalability of this tier pointing to a strong potential for future growth. Overall, streaming businesses offer multiple growth opportunities compared to the declining cable TV market.

Table 1:

Company Commentary

Name	DBS Rating	Target Price	Rationale	Analyst
Netflix (NFLX US)	BUY	USD1,195.00	Outperformance led by margin expansion. Netflix surprised in 4Q24 with an operating profit of USD2.3bn (+52% y/y, -22% q/q), above consensus estimates by 3%, due to margin improvements. Netflix offers 21% earnings CAGR over FY25F-27F vs their peers at 12%, implying a big premium for Netflix compared to its peers trading at c.26x PER. This is on the back of an expected rise in its net margin from 16% in FY23 to 26.2% in FY26F supported by (i) paid-sharing and (ii) an advertising-supported tier.	Sachin Mittal
Walt Disney (DIS US)	HOLD	USD125.00	Streaming has seen the light; combined DTC business remained profitable at the operating level in 1Q25. Disney+ had 125mn subscribers in FY24 while total Hulu had 54mn subscribers. DTC revenue growth of 8% CAGR between FY24F-28F will outpace Sports/Experiences growth at 2%/6%. DTC operating margins are projected to increase from 1% in FY24 to 14% in FY28F. This is expected to be a key driver of the 28% CAGR in earnings anticipated by consensus.	Amanda Tan
Amazon (AMZN US)	BUY	USD235.00	Streaming monetisation continues. Amazon's advertisement and subscription revenue, including those from its video streaming platform, grew +18% y/y and +19% y/y in 4Q24. While contribution from streaming remains small, Prime Video supports the core of its e-commerce business with ad-supported basic subscriptions that have increasing click-through rates as compared to its e-commerce platform. The overall subscription and advertisement revenue is expected to grow at a CAGR of 14% compared to its group revenue at 11% for FY24F-27F	Nashrullah Putra Sulaeman

Source: Bloomberg, DBS
Data as at 20 Feb 2025

Table 2:

DBS Coverage at a Glance

Bloomberg Ticker	Company	DBS Rating	DBS Target Price (LCY)	Market cap (USDbn)	Fwd. P/E (x)	Div. yield (%)	1Y Fwd EPS Growth (%)	Geography	Analyst
AMZN US	Amazon	BUY	USD235.00	2,362.0	32.2	-	22.3	United States	Sachin Mittal
NFLX US	Netflix	BUY	USD1,195.00	438.3	41.3	-	22.4	United States	Nashrullah Putra Sulaeman
DIS US	Walt Disney	HOLD	USD125.00	199.9	20.3	0.9	100.1	United States	Amanda Tan

Source: Bloomberg, DBS
Data as at 20 Feb 2025

Data Centres

Yeang Cheng Ling
CIO, North Asia

Sachin Mittal
Analyst

Daryl Lim, CFA
Analyst

Andy Yu
Analyst



Cost-efficient LLMs to drive AI demand in China

The new LLM released by Chinese firm DeepSeek has disrupted the AI industry by spending far less on training its R1 and V3 models, giving Chinese data centre operators a new opportunity amid continued US restrictions. The global data centre power consumption, estimated at 57GW in 2023, is projected to grow at c.10% CAGR to reach 93GW by 2028¹ driven by AI, whose power use is expected to grow from 4.5GW to 14-19GW at a 25-33% CAGR over the same period.

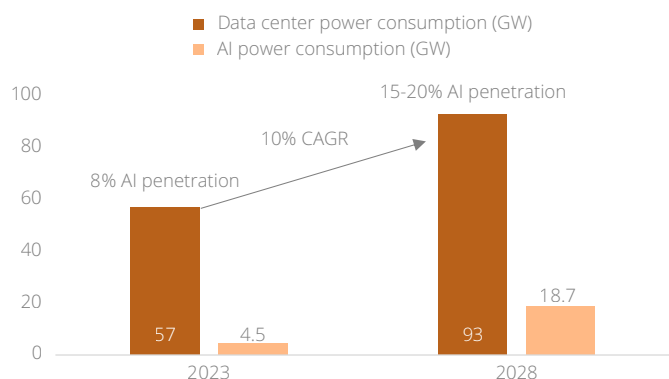
A game changer and threat to high-end chips? DeepSeek represents a significant advancement in the already rapid growth of computing efficiency (4x-10x annually). The availability of lower-cost, open-source AI models will empower businesses to develop customised models, and challenge the dominance of higher-cost, closed-source models over time. Street has not changed Nvidia's FY26F (Jan YE) projections due to its current

order book. However, its longer-term projections could be under pressure as smaller AI models might shift the demand towards lower-cost H100 and other chips. A big rise in capex by US hyperscalers in 2025, focusing on inferencing with their proprietary chips also supports this shift.

3Q24 results show strong adjusted EBITDA improvements. In 4Q24, US data centre players, Digital Realty and Equinix, registered 6.3% and 11% y/y growth in adjusted EBITDA, in line with consensus estimates. Looking ahead, Digital Realty projects 5-9% growth adjusted EBITDA in FY24F, while Equinix projects 7-9% growth in FY25F. Chinese operators, GDS and VNET, project 7-11% and 12-13% growth in adjusted EBITDA in FY24F, supported by bottoming-out of wholesale data centre pricing in China and emerging demand for AI. Chinese firms are capitalising on GenAI demand and testing new AI chips with potential local clients. US operators have mentioned that in 2024, they projected that data centre leases will rise by 80% over the next few years, driven by steady growth in cloud and data transformation alongside an increase in AI-related use cases.

Prefer China-based data centre operators. We prefer Chinese operators due to the expected surge in AI demand from the wide adoption of open-source cost-efficient DeepSeek models. Chinese data centre operators will vastly benefit from this new trend as more domestic data centre capacity will be rolled out to fulfil the AI demand capitalising the new way of training LLMs with lower power consumption and smaller population of GPUs.

Data centre and AI power consumption



Source: Schneider, DBS

¹ Schneider Electric

Table 1:

Company Commentary

Name	DBS Rating	Target Price	Rationale	Analyst
Equinix (EQIX US)	BUY	USD1,218.00	Global leader in the data centre industry. Equinix is the largest and most interconnected data centre globally, with 248 data centres both owned and leased in the Americas, EMEA, and APAC regions as of 4Q24. Equinix also had an xScale portfolio of 20 operational facilities across all three regions mentioned above as of Dec 2024. It has 20 years of consecutive revenue growth and sustained a 40%+ adjusted EBITDA margin in the past 10 years. We favour its diversified project pipelines across different countries. The stock offers 11% adjusted EBITDA CAGR over FY25F-27F and is trading at 23.5x FY25F EV/adjusted EBITDA. Our target FY25F EV/adjusted EBITDA multiple is 29x, c.1 SD above the five-year average multiple.	Andy Yu
Digital Realty (DLR US)	BUY	USD213.00	Making good progress towards deleveraging. Digital Realty is the second largest data centre provider in the world. Its portfolio comprises 308 data centres spread across 25+ countries worldwide. The company has c.2,700MW of total capacity in place and 3,500MW+ buildable IT capacity, and is favoured for their strong global expansion capabilities. The stock offers 11% adjusted EBITDA CAGR over FY25F-27F and is trading at 21.7x FY25F EV/adjusted EBITDA. Our target FY25F EV/EBITDA multiple is 28x, higher than its historical average of 22x. The target multiple is largely in line with its major peers.	Andy Yu
GDS (9698 HK)	BUY	HKD52.00	Overseas expansion to fuel future growth. GDS is the largest carrier-neutral wholesale data centre player in China, serving internet giants such as Alibaba, Bytedance, and Tencent. The company started to expand into Southeast Asia in 2021 and expects overseas markets to contribute at least 15% of its adjusted EBITDA by 2026/2027. GDS has successfully raised funding by selling stakes in its international business. We like their stable domestic demand recovery in China and strong overseas expansion capabilities. The stock offers a 25% adjusted EBITDA CAGR over FY25F-27F and is trading at 15.6x FY25F EV/adjusted EBITDA. Our target FY25F EV/adjusted EBITDA multiple is 20x, slightly higher than its five-year historical average of 17x.	Andy Yu
VNET (VNET US)	BUY	USD14.00	Wholesale business expansion to bear fruit. VNET is one of the leading carrier-neutral data centre players in China, serving more than 1,400 customers. The company aims to deliver 100-140MW of capacity in FY24, with the majority being allocated for wholesale deals. The company has been growing its wholesale business, aiming to deliver 297MW in the next 12 months, with the majority being allocated for wholesale deals. We like GDS for its promising wholesale transformation. The stock offers a 30% adjusted EBITDA CAGR over FY25F-27F. The stock is trading at 12.2x FY25F EV/adjusted EBITDA. Our target FY25F EV/adjusted EBITDA multiple is 16x, in line with key peer's trading multiple.	Andy Yu

Source: DBS
Data as at 17 Feb 2025

Table 2:

DBS Coverage at a Glance

Bloomberg Ticker	Company	DBS Rating	DBS Target Price (LCY)	Market cap (USDbn)	Fwd. P/E (x)	Div. yield (%)	1Y Fwd EPS Growth (%)	Geography	Analyst
EQIX US	Equinix	BUY	USD1,218.00	91.5	70.3	1.8	56.6	United States	Andy Yu
DLR US	Digital Realty Trust	BUY	USD213.00	58.2	133.5	2.8	-26.0	United States	Andy Yu
9698 HK	GDS	BUY	HKD52.00	8.7	-	-	-	China	Andy Yu
VNET US	VNET	BUY	USD14.00	3.9	100.5	-	106.0	China	Andy Yu

Source: Bloomberg, DBS
Data as at 20 Feb 2025



Trade War 2.0 is upon us. In the battle for the last word, US and China go head-to-head with each round escalating tariffs that much further.

Pre-Trump era, the last major trade war was in the 1930s during the Great Depression.

Will trade wars be a new norm in the coming quadrennial with Trump at the helm?

Fit for Tat

Financials

Source: Unsplash

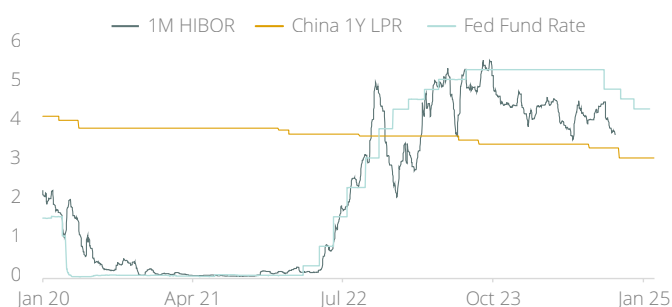
Expect further rate cuts in 2H25

Banks are important financial intermediaries in the global economy, safeguarding savings and providing credit to businesses and individuals. Global NII reached a decade-high of USD5.4tn in 2023 on the back of higher interest rates, with expectations of growth at a 4.8% CAGR from 2024 to 2028. The largest banks in the world by market cap include JP Morgan (US), Bank of America (US), and the Industrial and Commercial Bank of China (CN).

“Higher-for-longer” narrative presents upside potential for banks. Borrowing costs are expected to decline gradually throughout 2025 following the start of the Fed’s rate-cutting cycle in 2024. However, potential inflationary pressures from Trump-era policies could slow the pace of rate cuts, creating upside earnings risks for banks. Nonetheless, global banks remain well-prepared for further rate reductions through balance sheet management and are increasingly prioritising non-NII growth, as evidenced in recent earnings releases.

Strong 4Q24 results for US and Singapore banks driven by non-NII growth. Major US banks’ 4Q24

Interest rates



Source: Bloomberg, DBS

revenues and earnings surpassed street expectations. The result beats were driven by stronger-than-expected investment banking fees and stronger-than-expected NII, especially at JPM and BOA. Management across the banks have guided for modest growth in NII for FY2025. We continue to closely watch credit card net charge-offs due to persistently high delinquency rates. Similarly, strong momentum is seen for Singapore banks’ 4Q24 results, underpinned by robust NII growth and stable asset quality. The full impact of lower benchmark rates is felt in 4Q24 as fixed-rate assets reprice, with floating-rate loans typically experiencing a lag in adjustment. However, NII sensitivity to rate cuts has progressively declined. We expect proactive capital management to sustain a sector re-rating and look forward to upcoming capital management plans from the various Singapore Banks.

China/Hong Kong banks remain attractive dividend players, with 5-8% dividend yield for FY25F. We continue to favour select banks across China, Hong Kong, and Singapore with attractive dividend yields that compare favourably to the lower interest rate environment ahead. Valuations continue to be undemanding for China banks, which are trading at c.0.4x forward P/Bs. Despite the pressures in credit demand and NIM, China banks’ share prices tend to outperform the market in weak industrial cycles, likely due to their defensive nature during such periods. In Hong Kong, CRE exposure and credit cost control are key factors to watch during the rate cut cycle. We see a higher likelihood of Hong Kong banks outperforming their China counterparts in 2025 when CNY is forecasted to weaken against the HKD, with both expected to offer good dividends. We believe that the risk-reward remains favourable as downside risks from economic growth and asset quality have been priced in.

Table 1:

Company Commentary

Name	DBS Rating	Target Price	Rationale	Analyst
HSBC (5 HK)	BUY	HKD84.20	Better positioned to deal with uncertainties ahead. As a global bank, we believe HSBC is better-positioned than local or regional Hong Kong banks to navigate the upcoming uncertainties, including: (i) Credit risk related to Hong Kong CRE exposure, where HSBC's exposure is at c.4% of the total loan book, vs c.15-16% for other Hong Kong banks; (ii) the interest rate downward cycle, with more than half of HSBC's revenue coming from non-NII, vs just 22-27% for Hong Kong banks, driven by strong fee income growth from transaction banking and wealth management, which helps offset potential weakness in NII growth, and (iii) a more diversified geographic distribution, reducing the negative impact of a slowdown in China and potential US tariffs.	Lu Manyi
CCB (939 HK)	BUY	HKD7.00	Maintaining highest ROE position among the Big Four. Like other SOE banks, CCB's y/y earnings growth turned from negative in 1H24 to positive in 9M24, increasing 0.7%, mainly driven by strong non-NII growth spurred by the active FX, bond, and equity markets. Its investment gains in 3Q24 reached c.CNY2.9bn, vs a CNY776mn loss in 3Q23. CCB offers the highest ROE of 11% among the Big Four banks in 9M24 while trading at a lower valuation level in comparison. It also offers the highest dividend yield of 7.4% among the Big Four.	Lu Manyi
UOB (UOB SP)	BUY	SGD43.00	Growing an enlarged franchise. UOB's acquisition of Citigroup's consumer businesses in Indonesia, Malaysia, Thailand, and Vietnam allows it to accelerate, scale up, and deepen its ASEAN franchise; the effective execution of which remains key to long-term synergies, with management expressing confidence in higher structural ROE of >13% by FY26F. Integration continues to be on track, as UOB continues to leverage on an enlarged base of c.8.5mn customers.	Lim Rui Wen
Bank Jago (ARTO IJ)	BUY	IDR3,100	Robust loan growth prospects. We expect ARTO's loan growth momentum to remain strong (>35% in FY24-26F), supported by its ecosystem lending products with GoTo and the new direct digital loan offerings. ARTO also managed to improve its asset quality with NPL ratio and credit cost below 2% in 2024F. We believe ARTO's current valuation has priced-in concerns on the cost of fund pressures with the slower Fed rate cut expectations.	Lim Rui Wen Maynard Arif
Bank Central Asia (BBCA IJ)	BUY	IDR12,000	Strong liquidity as a key differentiator. BBKA is our pick among Indonesia banks due to its superior liquidity and strong CASA franchise (>80% of third-party funding) despite slower loan growth outlook in 2025. BBKA's LDR ratio of 78% (as of Dec 2024) is well below the industry (c.80%) and the other big banks (85-96%). Moreover, it has maintained a steady asset quality throughout the years, and we believe the premium valuation is justified, given the tight liquidity in the industry combined with steady asset quality.	Lim Rui Wen Maynard Arif
JP Morgan (JPM US)	BUY	USD268.00	NII remains robust in 2025. Management guided for FY25F NII to be at USD94bn (FY24: USD93.1bn) and FY25F NII excluding trading to be at USD90bn (FY24: USD92.4bn) as balance sheet growth partially offsets lower rates. During the current cycle, JPM continues to outperform peers as it delivers stronger-than-expected NII with an expanding deposit market share across the US.	Lim Rui Wen

Source: Bloomberg, DBS
Data as at 11 Feb 2025

Table 2:

DBS Coverage at a Glance

Bloomberg Ticker	Company	DBS Rating	DBS Target Price (LCY)	Market cap (USDbn)	Fwd. P/E (x)	Div. yield (%)	1Y Fwd EPS Growth (%)	Geography	Analyst
939 HK	China Con.Bank 'H'	BUY	HKD7.00	219.4	4.8	9.5	0.5	China	Manyi Lu
3988 HK	Bank Of China 'H'	BUY	HKD4.20	207.7	5.4	8.9	1.1	China	Manyi Lu
1288 HK	Agricultural Bk.Of Chin. 'H'	BUY	HKD3.90	250.1	5.6	8.2	4.9	China	Manyi Lu
3328 HK	Bank Of Comms.'H'	HOLD	HKD5.90	69.7	5.1	9.1	3.6	China	Manyi Lu
3968 HK	China Merchants Bank 'H'	BUY	HKD52.20	145.4	7.3	4.8	1.1	China	Manyi Lu
998 HK	China Citic Bank 'H'	BUY	HKD5.10	47.7	4.3	9.5	-1.3	China	Manyi Lu
1658 HK	Postal Savings Boc.'H'	BUY	HKD5.90	71.9	5.4	8.9	1.3	China	Manyi Lu
1398 HK	Indl&Coml.Boc.'H'	BUY	HKD5.30	325.7	5.3	8.6	0.6	China	Manyi Lu
601939 CH	China Con.Bank 'A'	BUY	CNY8.70	219.7	6.6	6.8	0.9	China	Manyi Lu
601988 CH	Bank Of China 'A'	HOLD	CNY5.20	207.9	7.4	6.4	1.2	China	Manyi Lu
601288 CH	Agricultural Bank Of China 'A'	HOLD	CNY4.80	250.4	7.0	6.6	4.6	China	Manyi Lu
601328 CH	Bank Of Comms.'A'	HOLD	CNY7.20	69.8	6.2	7.5	3.6	China	Manyi Lu
600036 CH	China Merchants Bank 'A'	BUY	CNY50.90	145.6	7.3	4.7	1.8	China	Manyi Lu
601998 CH	China Citic Bank 'A'	HOLD	CNY6.60	47.8	5.2	7.7	-0.3	China	Manyi Lu
601658 CH	Postal Savings Bank Of China 'A'	BUY	CNY6.50	72.0	6.4	7.5	1.9	China	Manyi Lu
000001 CH	Ping An Bank 'A'	BUY	CNY12.80	31.2	5.1	8.3	-6.1	China	Manyi Lu
601398 CH	Industrial & Coml. Bk.Of China 'A'	BUY	CNY6.60	326.1	7.1	6.4	1.2	China	Manyi Lu
11 HK	Hang Seng Bank	HOLD	HKD90.00	25.2	11.7	6.5	-7.8	Hong Kong	Manyi Lu
2388 HK	Boc Hong Kong	BUY	HKD28.50	37.0	7.7	6.3	13.7	Hong Kong	Manyi Lu
5 HK	HSBC	BUY	HKD84.20	199.8	8.7	7.3	3.0	Hong Kong	Manyi Lu
OCBC SP	Oversea-Chinese Bkg.	HOLD	SGD16.10	59.7	10.4	4.9	9.8	Singapore	Rui Wen Lim
UOB SP	United Overseas Bank	BUY	SGD43.00	48.2	10.1	4.5	5.1	Singapore	Rui Wen Lim
BMRI IJ	Bank Mandiri	BUY	IDR5,900	29.6	8.2	6.9	5.5	Indonesia	Rui Wen Lim
BBNI IJ	Bank Negara Indonesia	HOLD	IDR4,300	10.2	7.0	6.3	10.2	Indonesia	Rui Wen Lim
BBCA IJ	Bank Central Asia	BUY	IDR12,000	68.2	18.7	3.1	8.1	Indonesia	Rui Wen Lim

Source: Bloomberg, DBS
Data as at 20 Feb 2025

Table 2:

DBS Coverage at a Glance

Bloomberg Ticker	Company	DBS Rating	DBS Target Price (LCY)	Market cap (USDbn)	Fwd. P/E (x)	Div. yield (%)	1Y Fwd EPS Growth (%)	Geography	Analyst
BBRI IJ	Bank Rakyat Indonesia	HOLD	IDR3,600	36.4	9.7	9.5	1.1	Indonesia	Rui Wen Lim
ARTO IJ	Bank Jago Indonesia	BUY	IDR3,100	1.7	218.1	-	75.7	Indonesia	Rui Wen Lim
BBTN IJ	Bank Tabungan Negara (Persero)	HOLD	IDR900.00	0.8	3.9	5.2	14.2	Indonesia	Rui Wen Lim
BBL TB	Bangkok Bank	BUY	THB196.00	9.2	6.7	3.9	1.3	Thailand	Thaninee Satirareungchai
KBANK TB	Kasikornbank	BUY	THB195.00	11.6	7.6	4.1	4.6	Thailand	Thaninee Satirareungchai
KKP TB	Kiatnakin Phatra Bank	HOLD	THB59.00	1.4	9.0	4.9	4.1	Thailand	Thaninee Satirareungchai
KTB TB	Krung Thai Bank	BUY	THB25.50	10.2	7.5	3.2	3.4	Thailand	Thaninee Satirareungchai
SCB TB	SCB X Public	HOLD	THB124.00	12.8	9.5	6.9	3.3	Thailand	Thaninee Satirareungchai
TISCO TB	Tisco Financial	HOLD	THB108.00	2.4	11.9	7.0	-3.4	Thailand	Thaninee Satirareungchai
TTB TB	Tmbthanachart Bank	BUY	THB2.18	5.7	8.9	5.5	1.4	Thailand	Thaninee Satirareungchai
WFC US	Wells Fargo	HOLD	USD80.00	258.6	13.4	2.0	7.7	United States	Rui Wen Lim
C US	Citigroup	HOLD	USD80.00	153.8	10.9	2.7	23.6	United States	Rui Wen Lim
BAC US	Bank Of America	BUY	USD52.00	347.6	12.3	2.2	13.5	United States	Rui Wen Lim
JPM US	JP Morgan Chase	BUY	USD268.00	746.0	14.6	1.8	-7.5	United States	Rui Wen Lim
GS US	Goldman Sachs	BUY	USD680.00	206.8	13.9	1.8	12.2	United States	Ken Shih
MS US	Morgan Stanley	BUY	USD150.00	216.4	15.7	2.7	6.7	United States	Ken Shih
SCHW US	Charles Schwab	BUY	USD95.00	149.8	19.5	1.2	39.9	United States	Ken Shih
IBN US	ICICIC Bk.Adr	BUY	USD36.00	101.0	17.8	0.7	-	India	Rui Wen Lim
HDB US	HDFC Bank Adr	BUY	USD74.00	151.9	19.0	1.0	-	India	Rui Wen Lim
8411 JP	Mizuho Finl	BUY	JPY4,300	73.1	12.3	2.8	30.4	Japan	Rui Wen Lim
8316 JP	Sumitomo Mitsui Finl	BUY	JPY4,100	100.8	12.2	2.7	31.4	Japan	Rui Wen Lim
8306 JP	Mitsubishi Ufj Finl	BUY	JPY2,150	158.1	12.1	2.3	30.0	Japan	Rui Wen Lim
INGA NA	ING Groep	HOLD	EUR18.40	54.3	8.3	7.7	-3.5	Netherlands	Thaninee Satirareungchai
BNP FP	BNP Paribas	BUY	EUR97.00	84.1	7.1	6.5	3.8	France	Thaninee Satirareungchai

Source: Bloomberg, DBS
Data as at 20 Feb 2025

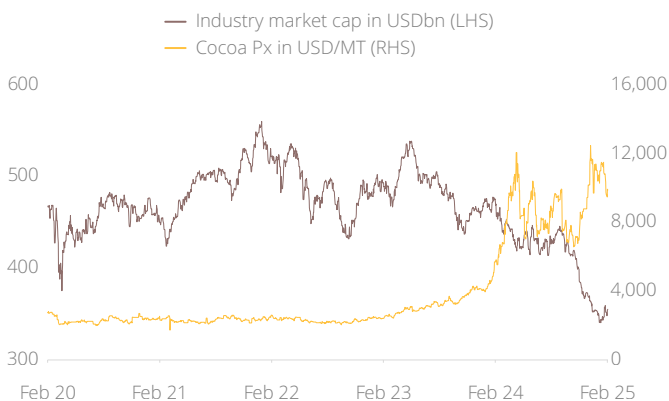
Source: Unsplash

Navigating a rough 2025 amid record-high cocoa prices

The global chocolate confectionary industry was valued at c.USD134bn in 2024 and is projected to grow at a 5% CAGR to USD174bn by 2029. The industry remains relatively concentrated, with top five players: Mars, Mondelez, Ferrero, Nestle, and Hershey accounting for c.54% market share.

Cocoa was the best performing commodity in 2024, and prices are expected to remain elevated. Unlike most soft commodities, cocoa is (i) predominantly produced in a single region (c.70% from West Africa), (ii) has long growth cycles (requires five to six years to bear fruit), and (iii) has low substitutability. A combination of adverse weather in West Africa, a cocoa disease outbreak, and resilient chocolate demand has resulted in two consecutive years (2023, 2024) of price increases.

Listed chocolate confectionery players have de-rated on concerns of further margin contraction with rising cocoa prices



Source: Refinitiv, DBS
Data as at 12 Feb 2025

The 2024 rally was particularly extreme, with average annual prices more than doubling from 2023. Heading into 2025, we expect volatility of cocoa prices to persist, with indications from confectionary players that while prices may moderate eventually, they are unlikely to revert to pre-rally levels of under USD3,000 per MT in 2023.

Earnings were hit hard by high cocoa prices. Major listed chocolate confectionery players have guided for modest top-line growth at 2-5%, but their earnings decline was as much as 30% on high cocoa prices. With hedging policies, these companies have their cocoa costs largely covered for 2025 at much higher prices than previous years due to record prices in 2024. This can be seen with Hershey and Mondelez. Hershey, with its larger chocolate portfolio (c.>50% of revenue) guided for 30% earnings decline while Mondelez with a smaller 31% exposure, expected a 10% decline in earnings. However, these companies remain optimistic about their earnings recovery in 2026, with the rebounds largely dependent on cocoa price trends.

Watch out for the turning point in cocoa prices; prefer packaged food companies with limited chocolate exposure. Since the start of 2024, the top four listed chocolate confectionery companies have lost a combined c.USD120bn in market cap (c.25% loss), coinciding with the sharp spike in cocoa prices. In the short-term, we remain cautious of these companies amid ongoing cocoa price uncertainties. We favour companies with limited cocoa-related offerings as they are likely to offer better risk-to-reward returns in the near-term. Nonetheless, we see opportunities in chocolate confectionery players if cocoa prices show sustained normalisation, making these companies attractive in a potential turnaround.

Table 1:

Company Commentary

Name	DBS Rating	Target Price	Rationale	Analyst
Coca-Cola (KO US)	BUY	USD77.00	Well-defined strategies in place to navigate headwinds and support continued growth. Coca-Cola has clear strategies to mitigate challenges and sustain growth. For instance, it used GenAI to create its 4Q24 Christmas advertisement, reducing costs and turnaround time. Additionally, it is well-positioned to implement a packaging shift towards PET to offset the potential impact of the 25% tariff on aluminium.	Chee Zheng Feng
Pepsi (PEP US)	BUY	USD172.00	Pepsi's limited cocoa exposure and conservative low single-digit growth guidance leave room for a re-rating on an earnings beat. With its recent pricing strategy pivoting to compete in the sub-USD2 range, the company is well-positioned to drive volume growth in its North America food business and exceed expectations.	Chee Zheng Feng
Mondelez (MDLZ US)	HOLD	USD57.00	A challenging 2025 looms amid persistently high cocoa prices. The company expects 10% earnings decline in 2025, but a return to growth in 2026, which is contingent on cocoa price trends. Given the uncertainty of this key cost which remains beyond management's control, we maintain a cautious stance.	Chee Zheng Feng
Kraft Heinz (KHC US)	HOLD	USD29.00	Earnings growth remain challenged, with volume growth still elusive. Management forecasts a 10–14% earnings decline for the year, driven by flat net sales, higher variable compensations, and an increased effective tax rate. In addition, it expects volume growth for 2025 to remain flat, given the challenging consumer environment.	Chee Zheng Feng

Source: Bloomberg, DBS
Data as at 12 Feb 2025

Table 2:

DBS Coverage at a Glance

Bloomberg Ticker	Company	DBS Rating	DBS Target Price (LCY)	Market cap (USDbn)	Fwd. P/E (x)	Div. yield (%)	1Y Fwd EPS Growth (%)	Geography	Analyst
KO US	Coca-Cola	BUY	USD77.00	301.2	23.6	2.8	19.9	United States	Chee Zheng Feng
PEP US	Pepsi	BUY	USD172.00	204.5	18.0	3.6	18.9	United States	Chee Zheng Feng
MDLZ US	Mondelez	HOLD	USD57.00	80.4	21.4	2.9	-15.7	United States	Chee Zheng Feng
KHC US	Kraft Heinz	HOLD	USD29.00	36.0	10.9	5.3	21.5	United States	Chee Zheng Feng
2802 JP	Ajinomoto	BUY	JPY7,200	20.1	30.1	1.3	17.6	Japan	Chee Zheng Feng
151 HK	Want Want China	BUY	HKD5.85	7.1	12.1	5.5	6.4	China	Alison Fok
322 HK	Tingyi	BUY	HKD13.30	8.5	17.1	5.1	14.9	China	Alison Fok
220 HK	Uni-President	BUY	HKD9.10	4.8	18.5	5.3	13.0	China	Alison Fok
ICBP IJ	Indofood CBP	BUY	IDR14,900.00	8.3	14.3	1.7	34.9	Indonesia	Cheria Widjaja
INDF IJ	Indofood Sukses	BUY	IDR9,500.00	4.3	6.7	3.3	27.6	Indonesia	Cheria Widjaja
MYOR IJ	Mayora Indah	BUY	IDR3,200.00	3.1	16.4	2.4	-2.3	Indonesia	Cheria Widjaja

Source: Bloomberg, DBS
Data as at 20 Feb 2025



Navigating tariffs and inflation

The grocery retail industry's total revenue reached USD7.9tn globally in 2023 and is expected to grow at a CAGR of 5% to USD10.2tn by 2028. US and China are the largest markets at 22% and 17% respectively. As a highly fragmented industry, the top three players—Walmart, Schwarz, and Costco—account for only 11% globally.

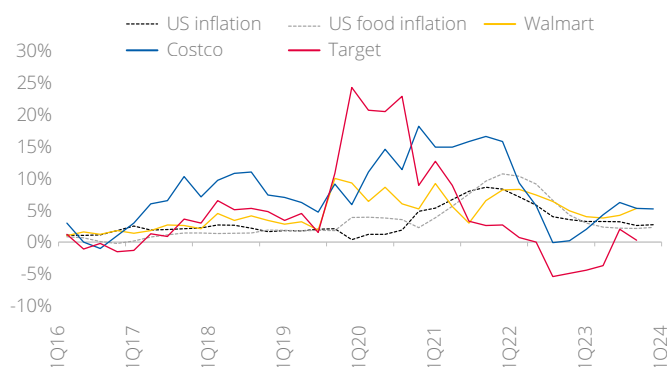
Inflation concerns. US inflation hovered at 3.0% y/y in Jan 2025 with urban F&B prices up 2.4%, slightly above expectations. Trump's potential tariff policies could lay further pressure on inflation. Market projections for 2025 inflation recently edged up to 2.7%, but this may be overly optimistic, given the National Retail Federation's estimated price hikes under a milder tariff scenario.

On the flip side, Trump's tariff hikes will be implemented gradually with a 10% tariff on Chinese goods and temporary pause of 25% tariffs on Canadian and Mexican

goods. Furthermore, Trump's administration has proposed corporate tax cuts and reductions on individual income taxes that could potentially boost business activities and consumer spending.

Grocery strength underpinned robust performance. Major players with strong presence in the grocery segment beat market expectations in the latest quarter results. Walmart and Costco reported strong same store sales growth at 5.5% and 7.1% y/y respectively. This was driven by continued traffic growth and market share gains from middle-income households, driving adjusted EPS growth for both Walmart and Costco. Costco also saw a 7.6% increase in membership, supported by value-seeking consumers. Meanwhile, Target recorded flat comparable sales and a 12% decline in adjusted EPS, missing market expectations. This was due to a decline in ticket size amid cautious consumer spending on discretionary items. On the e-commerce side, Costco's comp sales saw 13% y/y growth, while Walmart and Target's sales grew 25% and 11% y/y respectively last quarter.

Quarterly comparable sales growth of selected players vs US inflation



Note: Numbers of Walmart and Costco are comparable sales growth in the US.
Source: Company data, DBS

Groceries and private labels to be preferred. With inflation potentially resurging, consumers are likely to shift spending from discretionary items to essentials and groceries, echoing a trend seen from 2H21–1H23, benefitting players like Walmart and Costco. The shift towards private label products could also enhance customer loyalty and offer higher gross margins for hypermarkets. To mitigate tariff impacts, Walmart's exposure to Chinese suppliers has been reduced from 80% in 2018 to 60% in 2023 with further reductions planned. Additionally, two-thirds of its goods are made, grown, or assembled in the US. Similarly, Costco's non-food exposure to China is below 25%. Given these adjustments, earnings impact will remain manageable.

Table 1:

Company Commentary

Name	DBS Rating	Target Price	Rationale	Analyst
Walmart (WMT US)	BUY	USD108.00	Gaining shares from higher-income households. Walmart's well-established supply chain continues to attract higher-income households amid cautious consumer sentiment in the US, while international markets (e.g. India and China) offer strong growth potential. Rapid growth in e-commerce further supports Walmart's omni-channel expansion, providing additional revenue streams in advertising and marketplace operations.	Clement Xu
Costco (COST US)	BUY	USD1,195.00	Strong membership and store expansion. The 8.3% membership fee increase effective Sep 2024 in US and Canada could support revenue growth over the next one to two years. Global membership numbers are also expected to expand at a 5%+ CAGR over the next two years, supported by a high renewal rate exceeding 90% globally and the additional 25+ new stores each year over the medium term.	Clement Xu
Target (TGT US)	BUY	USD188.00	Margin expansion ahead. While discretionary items remain challenged, overall same-store sales could see a mild recovery as inflation eases and sales volume rebounds. Margins are also expected to improve, supported by fewer markdowns and lower freight costs. The beauty product line continues to stand out and potentially supports EBIT margin recovery towards 6%.	Clement Xu

Source: Bloomberg, DBS
Data as at 12 Feb 2025

Table 2:

DBS Coverage at a Glance

Bloomberg Ticker	Company	DBS Rating	DBS Target Price (LCY)	Market cap (USDbn)	Fwd. P/E (x)	Div. yield (%)	1Y Fwd EPS Growth (%)	Geography	Analyst
WMT US	Walmart	BUY	USD108.00	780.9	35.4	0.9	13.5	United States	Clement Xu
COST US	Costco	BUY	USD1,195.00	459.4	56.8	0.4	9.9	United States	Clement Xu
TGT US	Target	BUY	USD188.00	58.7	14.7	3.5	-2.7	United States	Clement Xu
DFI SP	DFI Retail	BUY	USD3.00	3.0	15.2	3.8	519.2	Singapore	Chee Zheng Feng
6808 HK	Sun Art Retail	HOLD	HKD1.46	2.2	40.0	10.8	124.1	China	Clement Xu
SSG SP	Sheng Siong	BUY	SGD1.80	1.8	16.9	3.9	9.1	China	Chee Zheng Feng

Source: Bloomberg, DBS
Data as at 20 Feb 2025

Source: Unsplash

Attractive risk-reward profile

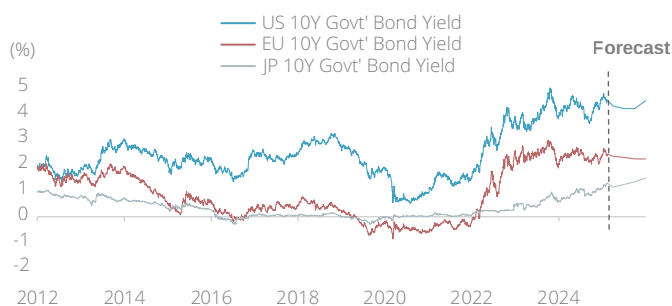
The insurance industry is broadly split into life and non-life segments, with penetration still low in many emerging Asian markets. Global premium growth is expected to reach 2.6% CAGR in FY25-26F, driven by 5.5% CAGR from emerging markets. US and China are the two largest markets at 45% and 10% of the global premium market share respectively.

Strong operating performance with high ROE expected for FY24E. Benefitting from premium re-pricing amid rising medical inflation and higher natural catastrophe (Nat Cat) risks, the strong performance of global equity markets in 2024 provided a supportive backdrop. Insurers' operating performance in FY24E is expected to be strong, driven by healthy new business growth and strong investment results from both equity and bond portfolios. Looking ahead, rising geopolitical tensions and diverging interest rate cycles across major markets could drive mixed stock performances for insurers in FY25F. Nonetheless, the anticipated mild US rate cut cycle and the prospect of

higher-for-longer interest rates should support recurring investment yields for EU and US insurers. While China insurers may face higher reinvestment risk, we believe sufficient spread buffers will help mitigate negative spread risk.

Steady VNB growth for Asia insurers despite a higher base. Strong growth in the life segment persisted through 9M24 with Asia-based and China insurers reporting a VNB growth of 10-38% y/y. This was driven by higher VNB margins from an improved product mix and stronger bancassurance channel margins in China. EU insurers also posted high single-digit growth in its life segment. In the non-life segment, underwriting quality saw slight improvement y/y, mainly due to repricing efforts, despite elevated Nat Cat risks. In terms of net profit, China insurers saw strong y/y growth of 36-77% in 9M24, mainly driven by a share rebound in A/H-share market performance in late September, alongside steady growth in net insurance service results. EU insurers also posted double-digit y/y growth in operating profit.

US/EU/JP 10Y government bond historical yield and DBS forecasts



Source: Bloomberg, DBS

Risk-reward profile attractive. Global insurers are increasingly prioritising capital management to improve shareholder returns. As such, we continue to see good risk-reward among insurance companies, with EU and China insurers offering 5-6% and 5-7% dividend yields respectively. Even with further interest rate declines in China, we maintain a positive view of Chinese and Asian regional insurers, supported by several factors: (i) manageable negative spreads and solvency risks due to ample buffers, (ii) the potential for further VNB margin expansion in FY25, driven by the agency channel commission alignment policy, and (iii) P/EV valuations near five-year lows.

Table 1:

Company Commentary

Name	DBS Rating	Target Price	Rationale	Analyst
AIA (1299 HK)	BUY	HKD100.00	Riding on structural opportunities in Asia. AIA is well-positioned to capitalise on Asia's growing demand for protection products in the premium market segment. The strong recovery in VNB growth will be driven by (i) its strong agent recruitment drive, (ii) a stable product mix, and (iii) the company's new operations in China, which remain on track. Enhanced shareholder returns through dividends and an additional USD2bn in share buybacks are expected to serve as share price catalysts.	Ken Shih
Ping An (2318 HK)	BUY	HKD72.00	To lead China peers in VNB recovery cycle. Ping An's superior VNB growth is likely a result of (i) ongoing improvement in agent productivity and commission alignment in its agency channel, (ii) low base effect in the bancassurance channel, (iii) attractive returns compared to other bank products, and (iv) the rising penetration into the healthcare and insurance ecosystem, allowing it to capture more profit from existing customers. Besides the robust VNB growth, its attractive dividend yield (7%) makes the insurer a good choice for yield-seeking investors.	Ken Shih
AXA (CS FP)	BUY	EUR43.00	Priority on underwriting profit, shifting to capital-light business. AXA's leading position in global P&C lines enables the insurer to prioritise underwriting profit amid a hardening market cycle. Its life segment is shifting its focus to capital-light businesses and its growth is mainly driven by its accelerated expansion in Greater China and established franchises in Japan, Hong Kong, and Southeast Asia. High interest rates are expected to enhance the recurring yield for the insurer's portfolio. We hence expect AXA's operating EPS to grow by a low double-digit rate in FY25F.	Ken Shih

Source: Bloomberg, DBS
Data as at 11 Feb 2025

Table 2:

DBS Coverage at a Glance

Bloomberg Ticker	Company	DBS Rating	DBS Target Price (LCY)	Market cap (USDbn)	Fwd. P/E (x)	Div. yield (%)	1Y Fwd EPS Growth (%)	Geography	Analyst
1299 HK	AIA	BUY	HKD100.00	76.0	11.9	3.0	82.7	Hong Kong	Ken Shih
945 HK	Manulife Financial	BUY	HKD280.00	51.9	10.4	3.9	43.1	Hong Kong	Ken Shih
2378 HK	Prudential	BUY	HKD100.00	23.4	11.9	2.4	49.6	Hong Kong	Ken Shih
2318 HK	Ping An Insurance	BUY	HKD72.00	119.0	5.7	5.8	53.9	Hong Kong	Ken Shih
2601 HK	China Pacific Insurance	BUY	HKD35.00	38.6	4.8	4.6	64.5	Hong Kong	Ken Shih
2628 HK	China Life Insurance	BUY	HKD20.00	126.2	3.6	4.7	134.8	Hong Kong	Ken Shih
1339 HK	People's Insurance Co Group of China	HOLD	HKD4.30	38.1	4.1	5.9	83.6	Hong Kong	Ken Shih
2328 HK	PICC Property & Casualty	BUY	HKD14.00	37.9	8.6	5.7	27.2	Hong Kong	Ken Shih
6060 HK	Zhongan Online P&C Insurance	BUY	HKD21.20	2.6	36.9	-	-87.3	Hong Kong	Ken Shih
601318 CH	Ping An Insurance	BUY	CNY71.38	119.2	6.9	4.8	52.5	China	Ken Shih
ALV GY	Allianz	HOLD	EUR310.00	129.5	12.7	4.3	16.5	Germany	Ken Shih
CS FP	AXA	BUY	EUR43.00	85.6	10.4	5.4	12.3	France	Ken Shih

Source: Bloomberg, DBS
Data as at 20 Feb 2025

Source: Unsplash



Redefined resurgence

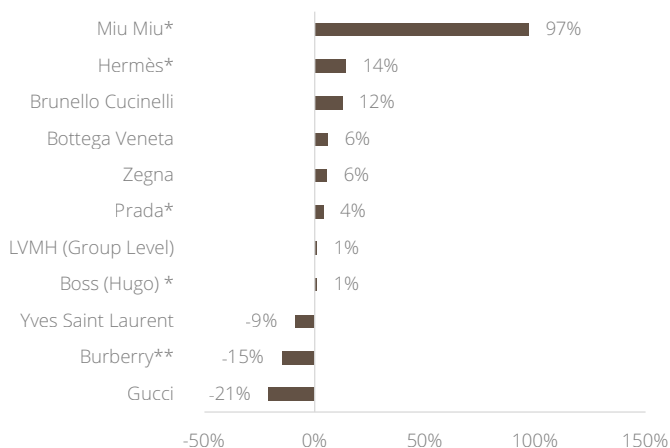
The global luxury industry comprises of highly exclusive personal items including apparels, footwear, leather goods, eyewear, jewellery, watches, and cosmetics that convey taste and status. The market reached EUR363bn in 2024 according to Bain & Co. and is projected to grow at mid-single-digit CAGR over the next five years. LVMH, the top player, is estimated to capture >20% of the industry.

Tourist luxury sales: Room for expansion. International tourist arrivals are expected to grow c.12% y/y in 2025 and surpass 1.6bn visitors, exceeding pre-pandemic levels. Tourist receipts should also maintain solid growth, particularly from higher-value tourism that includes re-acceleration of tax-free shopping, which was up 23% in Dec 2024 vs 17% growth in 3Q24, according to Global Blue. Japan and South Korea led the charge in Dec 2024, having delivered robust growth of 32% and 64%

respectively, driven by rising traffic of Mainland Chinese travellers. As the share of luxury purchases linked to tourist spending continues to recover from 30% in 2023 to 35% in 2024 globally, we anticipate normalisation to c.40% this year on sustained tourism enthusiasm.

Polarisation of luxury growth. In 2024, the personal luxury goods market remained flat (constant currencies) amid macroeconomic uncertainties. However, brand performance diverged sharply, where only one-third of luxury brands experienced growth, compared to c.95% in 2022 and c.65% in 2023. Nevertheless, top customers continue to drive the market with their share of luxury spending rising from 35% in 2021 to >45% in 2024. We expect this trend to continue in 2025, providing firm support to global luxury consumption. Luxury brands are also refocusing on their core identity, enhancing brand and product desirability, strengthening customer loyalty, and elevating the shopping experience for targeted consumers.

Organic retail sales growth by brand in 2024 (% y/y)



Source: Companies, DBS (*9M24 data, pending full-year results;
**Burberry data for Apr-Dec 2024)

Be selective: Winners and laggards. While selected brands like Gucci (-21%) and Burberry (-20%) suffered from sluggish sales momentum in their latest 2024 results, others maintained double-digit growth. For example, Miu Miu doubled its sales in 3Q24, benefitting from its cross-generational appeal and youthful energy. Hermès and Brunello Cucinelli also sustained high-teens growth in 2024, as affluent consumers increasingly favour “Quiet Luxury”, the trend of understated elegance and refined craftsmanship, over overt displays of wealth. As global wealth inequality rises, luxury brands are shifting focus towards heritage, quality, trend-setting innovations, and exclusivity. We believe Hermès, selected LVMH brands, and Prada are well-positioned to benefit from this evolving consumer preference.

Table 1:

Company Commentary

Name	DBS Rating	Target Price	Rationale	Analyst
LVMH (MC FP)	BUY	EUR876.50	Market leader with the most diversified portfolio. LVMH is known for its global presence, strong brand equity, robust supply chain, innovation, and distribution capabilities. Its vastly diversified portfolio helps mitigate regional risks, while commitment to sustainability enhances its competitive advantage. LVMH saw organic growth of 1% in their 4Q24 revenue to EUR24bn. Its solid track record, quality brands, and customer-centric strategies reconfirms a BUY.	Mavis Hui
Prada (1913 HK)	BUY	HKD79.29	More room for operating leverage. Prada's 3Q24 revenue exceeded growth expectations by 18% y/y. Its retail division grew significantly, driven by both domestic and tourist spending, with sales of the Prada brand up 2%, Miu Miu up 105%, and Church's up 4%. Prada aims to maintain flexibility, invest strategically, and sustain brand desirability. The company continues to target for above-market growth and expects a more meaningful enhancement in its operating leverage ahead, warranting a BUY.	Mavis Hui
Hermès (RMS FP)	BUY	EUR2,950.00	Strong resilience. Hermès is known for its exceptional craftsmanship, premium materials, and timeless designs, where its limited production creates exclusivity and desirability. Hermès has cultivated strong customer loyalty through consistent quality, diverse product offerings, and a focus on customer satisfaction. Its 3Q24, organic sales grew 11% y/y to EUR3.7bn, reflecting a strong demand and expansion efforts. Hermès is dedicated to sustainability and sees a positive outlook.	Mavis Hui
Kering (KER FP)	HOLD	EUR249.00	Rationalisation of brands hurts P&L. Kering experienced a lull in their 4Q24 revenue due to its challenging performance in China as well as strategic repositioning efforts, particularly with the Gucci brand. Kering remains committed to its long-term strategy and aims to optimise its cost structure. While short-term challenges persist, there is hope for a gradual recovery.	Mavis Hui

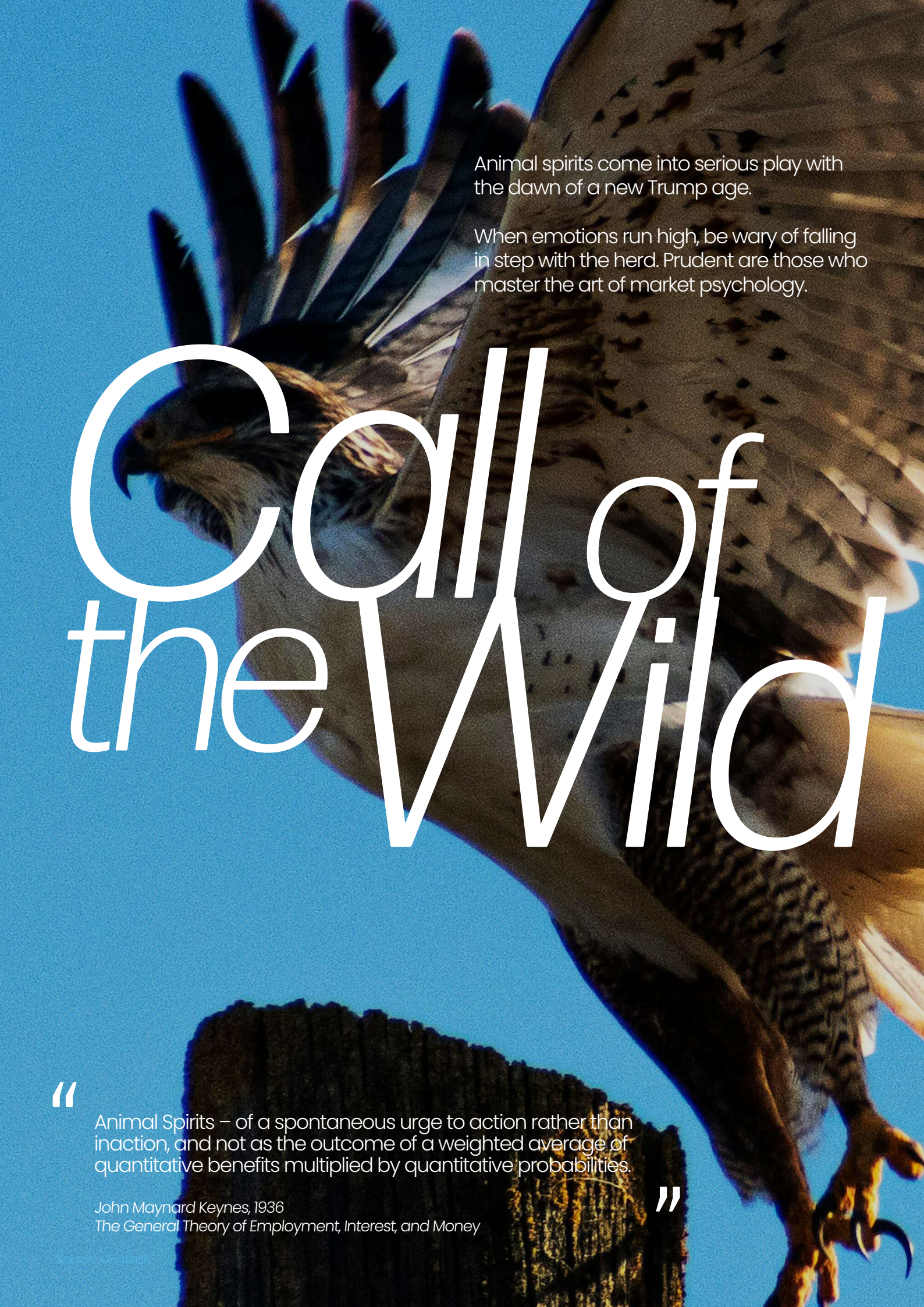
Source: Bloomberg, DBS
Data as at 12 Feb 2025

Table 2:

DBS Coverage at a Glance

Bloomberg Ticker	Company	DBS Rating	DBS Target Price (LCY)	Market cap (USDbn)	Fwd. P/E (x)	Div. yield (%)	1Y Fwd EPS Growth (%)	Geography	Analyst
HRMS.PA	Hermès	BUY	EUR2,950.00	302.7	57.2	0.9	9.6	France	Mavis Hui
PRTP.PA	Kering	HOLD	EUR249.00	35.0	23.9	4.3	22.2	France	Mavis Hui
LVMH.PA	LVMH	BUY	EUR876.50	365.1	24.8	1.9	11.4	France	Mavis Hui
1913.HK	Prada	BUY	HKD79.29	22.0	25.7	1.7	21.8	Hong Kong	Mavis Hui

Source: Bloomberg, DBS
Data as at 20 Feb 2025



Animal spirits come into serious play with the dawn of a new Trump age.

When emotions run high, be wary of falling in step with the herd. Prudent are those who master the art of market psychology.

Call of the Wild

“

Animal Spirits – of a spontaneous urge to action rather than inaction, and not as the outcome of a weighted average of quantitative benefits multiplied by quantitative probabilities.

John Maynard Keynes, 1936
The General Theory of Employment, Interest, and Money

”

Source: Unsplash

Safe bets amid volatile markets

Global oil majors or “big oil” refers to the world’s seven largest non-state-owned integrated O&G producers, which are publicly traded on US and European exchanges. Together, they account for c.10% of global oil production of c.102mn barrels per day in a highly fragmented industry and exert considerable influence in the global O&G markets.

Better-than-expected start to the year for oil prices.

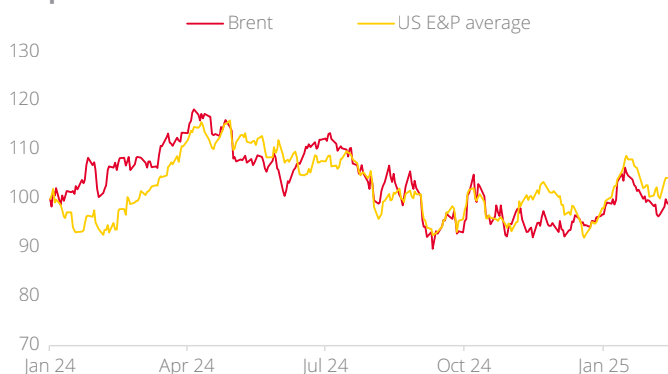
After a rather muted trading range in 2H24, Brent crude oil prices moved up sharply early in 2025 to above USD80/bbl, before settling in the USD75-80/bbl range as of writing. The upward momentum is largely driven by tighter US sanctions on countries like Russia and Iran. New sanctions targeting Russia’s shadow tanker fleet has the potential to severely disrupt Russian oil exports to China and India, the biggest buyers of Russian oil. Russia exports around 4-5mmbpd of oil currently, and up to 1.5mmbpd of exports could be affected by the sanctions in coming months unless alternate routes are found. In addition, the unofficial flows of oil from Iran to China

are coming under greater scrutiny under the new Trump administration. Without these developments, we would expect Brent crude oil prices to be rangebound at USD70-75/bbl in the near to medium term, with strong downside support at USD70/bbl. Given these uncertainties, upside risks are outweighing potential demand concerns in the market. Upstream and integrated players thus remain well-positioned to ride on this.

US players’ 4Q results shine as gas prices hold up, inorganic growth kicks in.

While lower oil prices and weak refining margins in Europe dragged operating results for some oil majors in 4Q, higher gas prices, trading and optimisation results and effects of inorganic volume growth helped offset that. US majors demonstrated stronger earnings execution, with ExxonMobil and ConocoPhillips’ earnings exceeding estimates. Cash flows remained strong as well across the board, and shareholder returns continue to be maintained despite y/y normalisation in O&G prices.

US O&G share prices outperforming Brent crude oil price



Source: Bloomberg, DBS

Safe haven investment in the new world order?

The emergence of DeepSeek has brought the tech party to an abrupt halt in the US. Meanwhile, Trump’s tariff wars have introduced volatility to a lot of markets. Energy, especially fossil fuels, remains a relatively safe space in this evolving environment. We expect limited downside for oil at USD70/bbl levels, whereas upside could come from factors like better Chinese demand numbers as well as deferment of OPEC+ supply increase plans. US oil majors and shale plays will continue to see upside from organic plus inorganic volume growth potential on the back of sizeable M&A deals announced last year. Over in Europe, the pivot back towards hydrocarbons continues and counters like BP will be hoping for re-rating after unveiling new strategic plans.

Table 1:

Company Commentary

Name	DBS Rating	Target Price	Rationale	Analyst
ExxonMobil (XOM US)	BUY	USD133.00	No compromise on production growth. The acquisition of Pioneer Natural Resources strengthens XOM's position in the Permian Basin, more than doubling XOM's Permian production and making it the biggest Permian player. The increased exposure to short-cycle, lower cost-of-supply production in the US allows XOM more flexibility in responding to changes in demand.	Suvro Sarkar
Chevron (CVX US)	BUY	USD182.00	More excitement in store in 2025. Chevron expects production growth of 6-8% and to close the Hess acquisition by 3Q25. Kazakhstan ramp-up will drive significant cash flow accretion over 2025/26. Chevron's share price has underperformed peers in recent past owing to execution issues but given the organic and inorganic growth expected in 2025, sentiment for the stock should improve and lead to potential re-rating in our opinion.	Suvro Sarkar
ConocoPhillips (COP US)	BUY	USD130.00	Beats estimates again in 4Q, inorganic growth kicker in 2025. COP continues to show strong operational performance, surpassing the higher end of production guidance in 2024 and remains committed to delivering competitive shareholder returns of at least USD10.0bn (implied 7.7% yield) for 2025, higher than the 2024 number. COP has guided for around 18–20% production growth in 2025, driven by organic growth as well as the completion of landmark acquisition of Marathon Oil in late 2024.	Suvro Sarkar
Shell (SHEL LN)	BUY	GBP32.00	New strategic direction sharpens focus on boosting returns with upstream and LNG. In a bid to regain investor confidence amid a period of high energy prices, Shell has scrapped its earlier plans to cut oil output by 20% by 2030 and has decided to focus on growing its natural gas business given its status as the world's largest LNG player and trader. Shell is also taking a more pragmatic approach to capex with more details to be unveiled in March.	Suvro Sarkar
BP (BP LN)	BUY	GBP5.20	All eyes on strategy reset. BP's earlier plans to build scale in low carbon energy may come under review in upcoming strategic reset in Feb 2025. We expect a sharper focus back on hydrocarbons and lowering of green targets should lead to a valuation rebound, and further details on capex allocation and shareholder returns could provide further catalysts. Share price has rallied 15% YTD in 2025 and further upside will lie in the details of the upcoming strategic reset.	Suvro Sarkar

Source: Bloomberg, DBS

Table 2:

DBS Coverage at a Glance

Bloomberg Ticker	Company	DBS Rating	DBS Target Price (LCY)	Market cap (USDbn)	Fwd. P/E (x)	Div. yield (%)	1Y Fwd EPS Growth (%)	Geography	Analyst
XOM US	ExxonMobil	BUY	USD133.00	486.0	15.1	3.5	-5.5	United States	Suvro Sarkar
CVX US	Chevron	BUY	USD182.00	285.4	14.5	4.2	11.9	United States	Suvro Sarkar
COP US	ConocoPhillips	BUY	USD130.00	129.8	12.5	3.1	4.4	United States	Suvro Sarkar
SHEL LN	Shell	BUY	GBP32.00	205.9	8.7	4.1	53.4	United Kingdom	Suvro Sarkar
BP/ LN	BP	BUY	GBP5.20	91.6	9.6	5.4	2,400.0	United Kingdom	Suvro Sarkar
TTE FP	TotalEnergies	HOLD	EUR62.50	140.2	7.7	5.3	21.5	France	Suvro Sarkar
ENI IM	Eni	HOLD	EUR15.20	48.5	8.0	6.9	24.6	Italy	Suvro Sarkar

Source: Bloomberg, DBS
Data as at 20 Feb 2025

Online Games

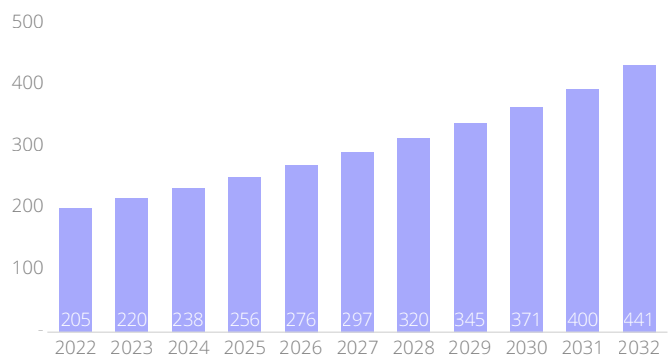
Source: iStockphoto

New titles driving strong performance

The global online games sector is expected to grow at a CAGR of 8%, reaching USD441bn over 2024-2032 with key end markets being US and China. The industry is transitioning from traditional PC/console gaming to cloud and mobile platforms. Success increasingly depends on expanding beyond domestic markets and extending the lifespan of existing games.

Mobile-led growth and global expansion. Chinese developers dominate their home market, backed by significant R&D resources and a platform to produce their titles. In contrast, the US market remains heavily reliant on PC/console gaming which comprised c.53% of the total video game market in 2023 vs only c.25% in China. As part of the industry's mobile-first shift, popular PC titles are being adapted for the mobile platform while massively multiplayer online (MMO) games continue to gain popularity. Another growing trend is the prolonged shelf life of popular games through updates and enhanced in-game features.

Global online games market (USDbn)



Source: Precedence Research, DBS

China's gaming industry gains momentum with more approvals. After a licensing pause from Jul 2021 to Apr 2022, China's National Press and Publication Administration (NPPA) approved 1,416 games in 2024 vs 2023's 1,075. Tencent, a major beneficiary, reported a 13% y/y increase in online gaming revenue in 3Q24. Its strong pipeline is expected to support online gaming revenue growth in FY25 and beyond.

Chinese players thrive domestically while US players face challenges. Major players such as Tencent, Enterprise Arts (EA), and Take-Two Interactive (TTWO) exceeded market-expected revenue in recent quarters. Tencent's core earnings grew 33%, driven by strong games performance. Consensus expects 9% and 11% y/y growth in Tencent's revenue and earnings in FY25F. EA's net bookings rose by 14% y/y in 2Q25 and expects a +5% in 3Q25, driven by the launch of Dragon Age and continued growth in the EA FC franchise. TTWO forecasts 4-6% revenue growth in FY25F and earnings loss to lower by 78%/80% y/y, supported by new and re-released game titles.

Prefer players with higher exposure to mobiles, international growth, and games that have a longer-shelf life. Chinese game developers have higher exposure to the mobile games segment with stronger growth potential, compared to US developers. Consensus expects Tencent and NetEase to grow their online gaming revenue by a CAGR of 8% over FY23-25F. TTWO offers the highest revenue CAGR of 24% over FY24-26F among our stock picks, driven by its acquisition of Gearbox Entertainment in Mar 2024 and the planned release of the highly anticipated video game GTA VI in 3Q26.

Table 1:

Company Commentary

Name	DBS Rating	Target Price	Rationale	Analyst
Tencent (700 HK)	BUY	HKD609.00	Leading online game player in China. The company had a c.40% market share in online games revenue in 2023, the largest in China. Its portfolio includes top-ranked games like HoK and Peacekeeper Elite. We project its online gaming revenue to grow by 9% y/y in FY24F, led by a 10% y/y growth in overseas revenue. We like Tencent for its (i) reacceleration of games revenue, (ii) monetisation of video accounts, and (iii) longer-term monetisation of the WeChat ecosystem. The stock is trading at a 12M forward P/E of 17.9x while consensus estimates earnings CAGR of 11% over FY25F-27F (December YE). Tencent has already repurchased more than HKD90bn of shares and expects to exceed the HKD100bn+ buyback target set for FY24.	Sachin Mittal
Electronic Arts (EA US)	BUY	USD165.00	Global leader in digital interactive entertainment. EA has a dominant position in sports games with 300+ exclusive licenses to publish football simulation video games. EA benefits from frequent content updates for popular esports franchises (e.g. FIFA). We like EA for its (i) stronger demand for sports games with EA Sports FC 25 leading the charts and (ii) higher earnings increment from live services. The consensus projects an earnings CAGR of 8% over FY26F-28F (March YE). The stock is trading at a 12M forward P/E of 18.1x. EA expects to buy back USD5bn worth of stock over three years (c.13% of market cap).	Sachin Mittal
Take-Two Interactive (TTWO US)	BUY	USD237.00	Legacy titles and a robust pipeline support strong growth. TTWO has strong game franchises including NBA 2K, Grand Theft Auto, and Red Dead Online. Consensus projects 10% adjusted EBITDA CAGR from FY26F-28F, supported by strong legacy titles and upcoming sports games. We like TTWO for its (i) expected strong performance from highly anticipated new games (e.g. Grand Theft Auto VI), (ii) earnings upside from acquisition synergies with game studios such as Zynga and Gearbox, and (iii) international expansion. TTWO is estimated to record an earnings CAGR of 16% over FY26F-28F (March YE). TTWO trades at a 12M forward P/E of 30.5x.	Sachin Mittal

Source: DBS
Data as at 15 Jan 2025

Table 2:

DBS Coverage at a Glance

Bloomberg Ticker	Company	DBS Rating	DBS Target Price (LCY)	Market cap (USDbn)	Fwd. P/E (x)	Div. yield (%)	1Y Fwd EPS Growth (%)	Geography	Analyst
700 HK	Tencent	BUY	HKD609.00	574.6	20.2	0.7	84.1	Hong Kong	Sachin Mittal
EA US	Electronic Arts	BUY	USD165.00	33.9	19.9	0.6	38.9	United States	Sachin Mittal
TTWO US	Take-Two	BUY	USD237.00	38.0	85.0	-	111.5	United States	Sachin Mittal
259960 KS	Krafton	BUY	KRW401,750	11.1	14.3	-	-13.8	South Korea	Sachin Mittal

Source: Bloomberg, DBS
Data as at 20 Feb 2025

Payment Platforms

Source: Unsplash

Transaction boom

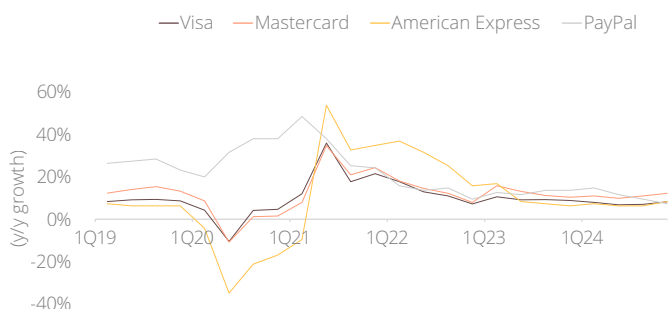
The global payments ecosystem involves many key players, including payment networks, issuers, acquirers, payment processors, and payment service providers. Industry revenue is estimated to grow at a 6.2% CAGR, rising from USD1.9tn in 2025 to USD2.2tn in 2027. The payments network market is highly consolidated – with Visa, UnionPay, and Mastercard accounting for 39%, 34%, and 24% of global market share respectively. Meanwhile, innovative segments, such as Buy Now Pay Later (BNPL), remain vibrant.

Riding on the cashless and digitalisation trends. We are positive about 2025's outlook following a strong 2024, with long-term drivers for payment services firmly in place. These include (i) ongoing conversion from cash to digital and contactless payments, (ii) accelerated

adoption of e-commerce, and (iii) expanding partnerships worldwide, tapping into new payment categories.

4Q24 results were mixed for global payments players with diverging growth outlooks. Visa, Mastercard, and American Express delivered robust revenue growth in 4Q24, ranging from 9-14%, underpinned by strong payment volumes, in particular stronger-than-expected US holiday spending. The operating leverages of these three companies were largely stable in 4Q24, as rising transaction-related expenses were offset by ongoing cost-saving plans. Hence, these players recorded strong EPS growth, ranging from 14-20% y/y. As PayPal is refocusing on profitable segments and trimming its low-ROE businesses, this led to modest revenue and operating EPS growth of 4%/4% y/y in 4Q24.

Global payments players' y/y payment volume growth (foreign exchange neutral)



Source: Companies, DBS

Prefer names with a global presence and healthy revenue mix. Favour Visa and Mastercard as they stand to benefit from (i) resilient US consumer spending, (ii) higher revenue from international transactions driven by strong travel and global e-commerce, and (iii) continued robust growth of VAS. During its 4Q24 (FY1Q25) earnings call, Visa revised its FY25F revenue guidance upward from high single-digit growth to low double-digits, while maintaining its EPS growth forecast in the low-teens. As such, we expect both Visa and Mastercard to sustain strong growth across all segments. While we are neutral on American Express and PayPal, the former may face a longer road to credit normalisation, while the latter's growth momentum remains muted due to strategic shifts.

Table 1:

Company Commentary

Name	DBS Rating	Target Price	Rationale	Analyst
Visa (V US)	BUY	USD400.00	Payments network leader with the largest scale. Visa is well-positioned to capture secular growth in the global payments industry, with the largest market share at 39%. Visa's revenue and EPS are expected to grow by 10%/13% CAGR respectively from FY25-27F, driven by (i) accelerated growth in gross payment volume, (ii) double-digit y/y revenue growth of value-added services, and (iii) well-controlled SG&A expenses.	Iris Gao
Mastercard (MA US)	BUY	USD640.00	Faster growth led by a higher VAS mix. Mastercard ranks third in the payments network market, with a market share of 24%. We expect Mastercard's revenue and EPS to grow at 12%/14% CAGR from FY25-27F, higher than Visa, due to (i) Mastercard's higher international payment volume mix and (ii) higher VAS mix, justifying its valuation premium of 17% over Visa by P/E ratio.	Iris Gao
American Express (AXP US)	HOLD	USD315.00	Leading player in the high-end credit card market. American Express has cultivated a unique advantage by connecting with affluent consumers and SMEs, differentiating itself through brand strength, excellent service, and a lucrative membership reward system. With robust growth in billed business volume, number of cards in force, and card member loan balance, we expect American Express to achieve its long-term target of 10%+ growth in revenue and mid-teens EPS growth. We remain cautious on American Express's credit quality and overoptimistic profit forecast.	Iris Gao
PayPal (PYPL US)	HOLD	USD80.00	Dominant player in e-commerce payments but facing rising competition. PayPal is poised to benefit from secular trends around digital payments and e-commerce. While new payment and credit rails such as digital wallets and BNPL offerings are challenging PayPal's dominance, barriers to scale up remain a competitive advantage for the company. Its strategic shift to trim low-ROE businesses is ongoing, thus revenue and earnings growth are expected to slow in the short-term.	Iris Gao

Source: Bloomberg, DBS
Data as at 20 Feb 2025

Table 2:

DBS Coverage at a Glance

Bloomberg Ticker	Company	DBS Rating	DBS Target Price (LCY)	Market cap (USDbn)	Fwd. P/E (x)	Div. yield (%)	1Y Fwd EPS Growth (%)	Geography	Analyst
V US	Visa	BUY	USD400.00	704.4	31.0	0.6	-7.3	United States	Iris Gao
MA US	Mastercard	BUY	USD640.00	513.5	35.5	0.5	14.2	United States	Iris Gao
AXP US	American Express	HOLD	USD315.00	213.5	19.9	0.9	9.0	United States	Iris Gao
PYPL US	PayPal	HOLD	USD80.00	76.8	15.4	-	25.2	United States	Iris Gao

Source: Bloomberg, DBS
Data as at 20 Feb 2025

Pharmaceuticals



Source: Unsplash

Patent cliffs dampen growth ahead

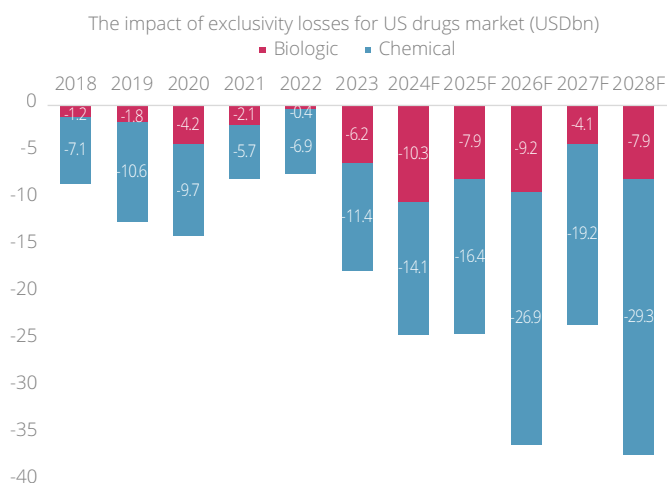
The pharmaceutical industry mainly comprises two segments: chemical drugs and biological drugs. Global pharmaceutical sales in 2023 were valued at USD1.7tn, but the industry's sales CAGR is projected to slow down, from 5.3% in 2019-23 to 2%-5% in 2024-28. The US and China account for 27% and 10% of the global market respectively. The top two players are currently Eli Lilly and Novo Nordisk, both of which experienced explosive growth in the past three years driven by the popularity of their weight-loss drugs.

Global growth set to decelerate due to patent cliffs. When a drug's patent expires, generic versions enter the market at lower prices, dragging overall pricing. The 13 largest pharmaceutical companies make up 55%

of the global pharmaceutical industry's market cap. Patent expiries threaten eight of these 13, with over 30% of their US sales facing patent expiry by 2026, which is a huge uncertainty. The deceleration in industry growth is expected to be slightly offset by rebounding pharmaceutical fundraising activity in the US, which is negatively correlated with US interest rates. This rebound commenced in 2024, coinciding with the downtrend in US interest rates from Sep 2024.

4Q24 results were in line, but 2025 outlook looks bleak. The FY24 results of global leaders Eli Lilly and Novo Nordisk were below and ahead of estimates, respectively, while the guidance of most pharmaceutical companies indicate decelerating growth due to patent cliff headwinds. Moreover, the IRA, which introduced mechanisms to limit pharmaceutical price increases, such as the negotiation of certain expensive prescription drugs and inflation-based limits on price adjustments for prescription drugs, has resulted in pressure to keep prices down. Additionally, the Department of Government Efficiency is working with the Centres for Medicare and Medicaid Services (CMS) and may reduce Medicare (for older and disabled Americans) and Medicaid (for lower-income Americans) spending – these programmes cover 140mn Americans.

Impact of US patent cliffs



Source: IQVIA, DBS

We favour names with strong pipelines that can mitigate patent expiry risks. Among pharmaceutical players, we favour companies with strong new drug pipelines or upcoming clinical data readouts, as these represent potential share price catalysts. Moreover, we prefer names facing low risk of patent expiry.

Table 1:

Company Commentary

Name	DBS Rating	Target Price	Rationale	Analyst
Eli Lilly (LLY US)	BUY	USD1,010.00	Eli Lilly is the largest global pharmaceutical company by market cap and has a diverse pipeline consisting of drugs for the treatment of diabetes, cancer, Alzheimer's, and other diseases. Diabetes drugs make up >50% of its revenue; and 64% and 15% of its revenue comes from US and Europe, respectively. Eli Lilly experienced robust growth from 2021 to 2024 with a revenue CAGR of 16.7%, and its net profit margins have been north of 15% over the past five years.	Nico Chen
Merck (MRK US)	BUY	USD100.00	Merck is the seventh largest global pharmaceutical company by market cap. It is an oncology leader, driven by the success of its blockbuster drug Keytruda. Its pipeline consists of drugs for the treatment of cancer and cardiovascular diseases. 47% and 22% of its revenue comes from US and EMEA, respectively. Merck experienced a strong revenue CAGR of 9.6% from 2021 to 2024.	Nico Chen
Gilead (GILD US)	BUY	USD125.00	Gilead is among the top 20 global pharmaceutical companies by market cap, with a large product line focusing on HIV. Its pipeline consists of drugs for the treatment of primary biliary cholangitis. 72% and 16% of its revenue comes from the US and Europe, respectively. Gilead has experienced slow growth, with a revenue CAGR of 1.7% from 2021 to 2024.	Nico Chen
Sanofi (SNY US)	BUY	USD64.00	Sanofi is the fifth largest pharmaceutical company in Europe by market cap. Its drug products focus on rare diseases, neurology, immunology, and oncology. Sanofi's pipeline includes drugs for the treatment of chronic obstructive pulmonary disease. 43% and 25% of its revenue comes from US and Europe, respectively. Sanofi experienced modest growth, with a revenue CAGR of 4.2% from 2021 to 2024.	Nico Chen

Source: Bloomberg, DBS
Data as at 17 Feb 2025

Table 2:

DBS Coverage at a Glance

Bloomberg Ticker	Company	DBS Rating	DBS Target Price (LCY)	Market cap (USDbn)	Fwd. P/E (x)	Div. yield (%)	1Y Fwd EPS Growth (%)	Geography	Analyst
LLY US	Eli Lilly	BUY	USD1,010.00	827.9	38.0	0.6	95.4	United States	Nico Chen
JNJ US	Johnson & Johnson	HOLD	USD170.00	384.4	15.1	3.1	81.0	United States	Nico Chen
ABBV US	AbbVie	HOLD	USD183.00	354.6	16.4	3.1	410.5	United States	Nico Chen
MRK US	Merck	BUY	USD100.00	221.8	9.7	3.6	33.6	United States	Nico Chen
AMGN US	Amgen	BUY	USD380.00	160.0	14.4	3.1	171.0	United States	Nico Chen
PFE US	Pfizer	BUY	USD35.00	146.8	8.8	6.5	108.4	United States	Nico Chen
SNY US	Sanofi	BUY	USD64.00	136.7	12.7	3.1	-	United States	Nico Chen
GILD US	Gilead	BUY	USD125.00	137.1	14.1	2.8	1,960.8	United States	Nico Chen
REGN US	Regeneron	BUY	USD1,250.00	76.1	16.2	0.1	4.9	United States	Nico Chen
MRNA US	Moderna	HOLD	USD65.00	13.0	-	-	-7.4	United States	Nico Chen
002675 CH	Yantai Dongcheng	BUY	CNY15.90	1.6	49.2	1.3	10.1	China	Nico Chen

Source: Bloomberg, DBS
Data as at 20 Feb 2025

Ride-Hailing

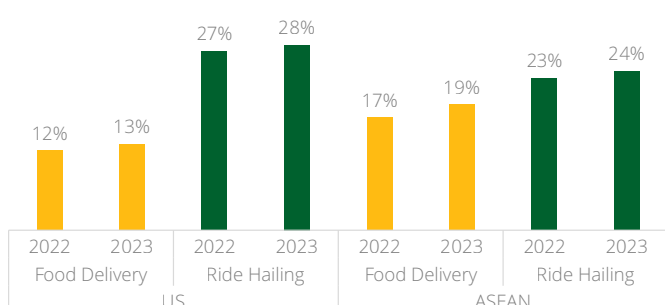
Source: Unsplash

Autonomous vehicles and a growing customer base

The global ride-hailing market is estimated to grow at a CAGR of 9.6% over 2025-2030 to reach USD322bn¹. Uber leads the US market while Grab dominates SEA. Both players have also diversified into the food delivery business, which offers a slightly better CAGR of 10.3%, reaching USD486bn in 2030² on a global basis. Additionally, Grab has ventured into the fintech segment with digital lending expected to see 23% CAGR in SEA over 2024-2030³.

AV to drive market growth; Tesla enters the ride-hailing market to compete with the leading players. US players are better positioned to achieve superior long-term EBITDA margins compared to their SEA counterparts. This is primarily because US players do not have to pay big incentives to drivers as most have their own cars and avoid significant leasing costs that SEA drivers face, where 30-50% of their daily earnings goes to leasing. Additionally, US consumers tend to pay 15-20% of the order value in tips to drivers for food delivery, whereas tips in SEA are generally less than 5-10%.

Penetration rate for on-demand services (2022 vs 2023)



Source: Statista, Enterprise Apps Today, Euromonitor, DBS

AVs are driving growth in this segment, with Tesla entering the ride-hailing market, and Uber launching international robotaxis in Abu Dhabi in partnership with China's WeRide, expanding its AV footprint beyond US and China. Lyft has also partnered with Mobileye to integrate AV into its network, while Alphabet's subsidiary Waymo announced plans to expand its AV operations to 10 more US cities in 2025, leading to a decline in UBER's stock price following the announcement. However, the widespread adoption of AV is contingent on safety regulations and the establishment of a liability framework for AVs. For example, the EU has ongoing discussions to create a liability framework tailored for AI-based technologies, including AV.

Prefer players with a dominant market share in ride-hailing and delivery services, while leveraging their customer base for new innovative services like robotaxis. Players offering both ride-hailing and delivery services can benefit from (i) increased appeal to younger consumers for new services, (ii) optimised resource allocation by deploying their delivery resources for ride-hailing services outside peak hours, and (iii) enhanced cross-selling opportunities through the use of loyalty points and promotions. On-demand players in SEA have also ventured into fintech services to capitalise on the huge potential for digital lending services in SEA. While fintech services are yet to be profitable, adjusted EBITDA losses are seeing continuous reductions as marketing expenses have peaked.

¹ Mordor Intelligence

² Grandview Research

³ Google Temasek and Bain

Table 1:

Company Commentary

Name	DBS Rating	Target Price	Rationale	Analyst
Uber (UBER US)	BUY	USD95.00	UBER enjoys key advantages over its peers. UBER's market share of >76% in mobility in US and Canada is much larger than its competitor LYFT. Not just dominant in mobility, they are also highly diversified across the delivery and logistics segments. For its three-year outlook, UBER guides mid to high-teens Gross Bookings growth, and adjusted EBITDA of high 30s to 40% CAGR, in line with consensus. Offering an adjusted EBITDA CAGR of 31% over FY24F-26F and currently trading at a 12M forward EV/adjusted EBITDA of 16.3x, the stock was volatile in FY24 yet had a 6% return after correction. In Jan 2025, the stock surged by 3.5%. However, potential competition from AV developers like Waymo and Tesla present a risk that could impact future outlook.	Nashrullah Putra Sulaeman
Grab (GRAB US)	HOLD	USD5.16	A dominant on-demand services player. GRAB is the market leader in SEA in delivery and mobility services, also offering digital financial services (fintech). GRAB maintained its FY24F adjusted EBITDA guidance to hover between USD308-USD313mn. GRAB is trading at 30x 12Mm forward EV/adjusted EBITDA (excluding fintech losses), at a 84% premium to UBER's 16.3x due to the former offering a much higher adjusted EBITDA CAGR of 39% (excluding fintech losses) over FY24F-26F from delivery margin expansion and lower regional costs. GRAB stock surged by 44% in FY2024.	Sachin Mittal
Lyft (LYFT US)	HOLD	USD15.00	LYFT faces competitive hurdles in battling UBER's dominance. Smaller scale with a 24% market share in US (compared to UBER's 76%) and limited focus on the North American mobility market limit cross-sell opportunities and re-investment capabilities for LYFT. LYFT offers adjusted EBITDA CAGR of 34% over FY24F-26F on a lower adjusted EBITDA base compared to Uber. The stock is trading at a 12M forward EV/EBITDA of 6.9x reflecting its limited scale and over-reliance on ride-hailing. The stock grew by less than 1% in FY2024.	Nashrullah Putra Sulaeman

Source: Bloomberg, DBS
Data as at 3 Feb 2025

Table 2:

DBS Coverage at a Glance

Bloomberg Ticker	Company	DBS Rating	DBS Target Price (LCY)	Market cap (USDbn)	EV/EBITDA (x)		1Y Fwd EPS Growth (%)	Geography	Analyst
					FY24F	FY25F			
UBER US	Uber Technologies	BUY	USD95.00	169.8	30.7	-	-43.7	United States	Nashrullah
GRAB US	Grab	HOLD	USD5.16	19.3	90.3	-	276.7	Singapore	Sachin Mittal
LYFT US	Lyft	HOLD	USD15.00	5.6	14.2	-	1,475.0	United States	Nashrullah
3690 HK	Meituan	BUY	HKD223.00	122.0	20.9	-	213.4	Hong Kong	Andy Yu

Source: Bloomberg, DBS
Data as of 20 Feb 2025



Source: Unsplash

Imagine a world where AI-driven appliances are commonplace in a home, where robots are expected to make sound decisions, where synthetic voices are as soothing as its human counterparts. This vision may become reality sooner than you think.

Agentic AI's ability to make autonomous, complex yet cogent decisions in a fraction of a second sets it apart from GenAI. In other words, GenAI creates, agentic AI *does*.

The future is exciting, and **the future is Agentic AI.**

More
than
just a
Buzz
word

Semiconductors

(Fabless)

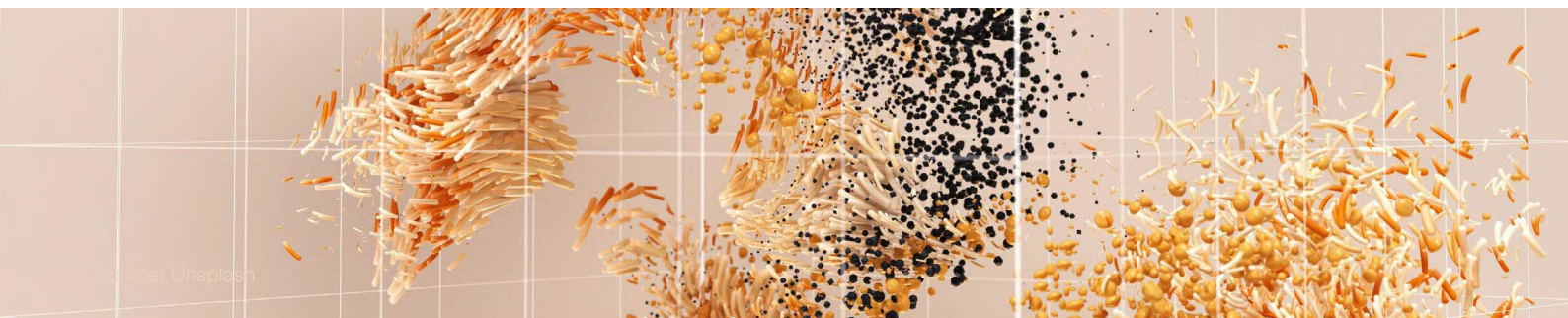


Yeang Cheng Ling
CIO, North Asia

Fang Boon Foo
Analyst

Daryl Lim, CFA
Analyst

Ling Lee Keng
Analyst



Leading the AI charge

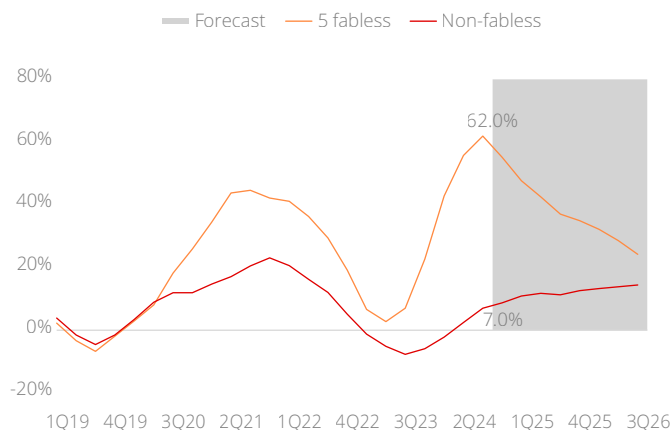
Integrated design firms are too important to ignore. Their focus on semiconductor wafer designs have put them at the forefront of technological advancements, including the current AI revolution, which they are spearheading. AI semiconductor revenue is poised to grow at a rate of a five-year 30% CAGR during 2023-2028, much faster than the forecasted 9% for the overall semiconductor industry. We anticipate nothing short of the pinnacle of technological innovation from fabless chipmakers as they continue to reap the rewards of their years of dedicated investment in R&D. Key players among our coverage include Nvidia, AMD, Marvell, Broadcom, and Qualcomm.

Spearheading technological advancements. Fabless chipmakers play an important role in the entire semiconductor value chain. Their focus on chip

design, instead of production, allows them to be agile and prominent in the field of cutting-edge innovation. The current AI revolution, led by bellwether Nvidia, is one such example. These companies will power the development of next generation data centres, personal computers, smartphones, and automobiles.

Poised to deliver and outperform on AI exposure. Our thesis is validated by the above-peer growth expectations for the five fabless chipmakers under our coverage. On aggregate, consensus expects them to register revenue/earnings growth of 37.1%-42.0% over the next 12 months, double that of the non-fabless chipmakers under our coverage (11.3%-21.5%). This is primarily underpinned by their focus and exposure to AI. The strong multi-year guidance from key foundry partner TSMC expects AI revenue to double in 2025, with CAGR growth in the mid-40% over the next five years, painting a robust growth outlook for AI.

Revenue growth (NTM vs LTM)



Source: VisibleAlpha, DBS. Computed on an aggregate basis.
Growth between next twelve months (NTM) and last twelve months (LTM)

Superior financials and leadership powering the AI revolution. Fabless chip-designers remain at the forefront of cutting-edge technologies as well as investor attention. Their substantial and growing R&D investments will solidify their leadership in the semiconductor value chain, with each new generation of chips delivering exponentially greater computing power. This innovation is critical for powering the growth of data centres, AI, mobile devices, and electric vehicles, all of which require increasingly sophisticated semiconductors. Superior gross margins – north of 60%, and a 10% markup over its non-fabless peers – that are likely to sustain over time would be another positive driver. Accelerating demand for AI-enabled devices will further enhance the dominance of leading-edge chipmakers.

Table 1:

Company Commentary

Name	DBS Rating	Target Price	Rationale	Analyst
Nvidia (NVDA US)	BUY	USD160.00	Nvidia still dominant, but less so. Nvidia is well-positioned to capitalise on strong AI momentum, given the high demand for its Hopper and latest Blackwell AI chips. Its hardware remains superior in terms of compute performance, and its dominance is enhanced by its widely adopted and entrenched CUDA ecosystem. While Nvidia should remain the AI chip market leader, its dominance could be challenged by DeepSeek's emergence and potential shifts from its high-end GPUs to more cost-effective alternatives, impacting both demand and margins. However, robust order books and sustained capex from hyperscalers and large technology companies mitigate near-term risks.	Fang Boon Foo
AMD (AMD US)	BUY	USD155.00	Gaining share in a growing market. AMD sees rising contribution from its data centre segment, driven by AI's surging popularity and the resulting infrastructure investment. Demand for data centre GPUs is on an uptrend, as they are discrete accelerators that facilitate the computational power required for AI. In addition, AMD has a strong track record of innovation, design agility, and execution, and has been gaining market share from Intel in the server segment given the growing demand of its products. Its current valuation is attractive, at forward P/B of c.3x, below -1 SD of the five-year historical mean.	Amanda Tan
Broadcom (AVGO US)	BUY	USD250.00	AI monetisation efforts to accelerate. Demand continues to surprise on the upside due to (i) Broadcom's continued ability to monetise the ongoing AI boom and (ii) robust business momentum for its infrastructure software segment following the VMware acquisition. Management expects AI chip revenue to grow by +65% y/y in 1QFY25 and expects its addressable market for AI to reach USD60-90bn by FY27, marking a significant jump from its current revenue base of USD12.2bn. Consensus expects strong double-digit y/y growth in revenues and earnings in FY25F.	Fang Boon Foo

Source: Bloomberg, DBS
Data as of 20 Feb 2025

Table 2:

DBS Coverage at a Glance

Bloomberg Ticker	Company	DBS Rating	DBS Target Price (LCY)	Market cap (USDbn)	Fwd. P/E (x)	Div. yield (%)	1Y Fwd EPS Growth (%)	Geography	Analyst
NVDA US	Nvidia	BUY	USD160.00	3,431.3	47.6	0.0	144.1	United States	Fang Boon Foo
AMD US	AMD	BUY	USD155.00	185.0	24.5	-	360.8	United States	Amanda Tan
AVGO US	Broadcom	BUY	USD250.00	1,062.8	35.9	1.0	397.0	United States	Fang Boon Foo
MRVL US	Marvell Technology	BUY	USD130.00	94.1	69.7	0.2	244.4	United States	Fang Boon Foo
QCOM US	Qualcomm	BUY	USD215.00	192.1	14.8	1.9	29.0	United States	Fang Boon Foo

Source: Bloomberg, DBS
Data as of 20 Feb 2025

Semiconductors

(Foundries)

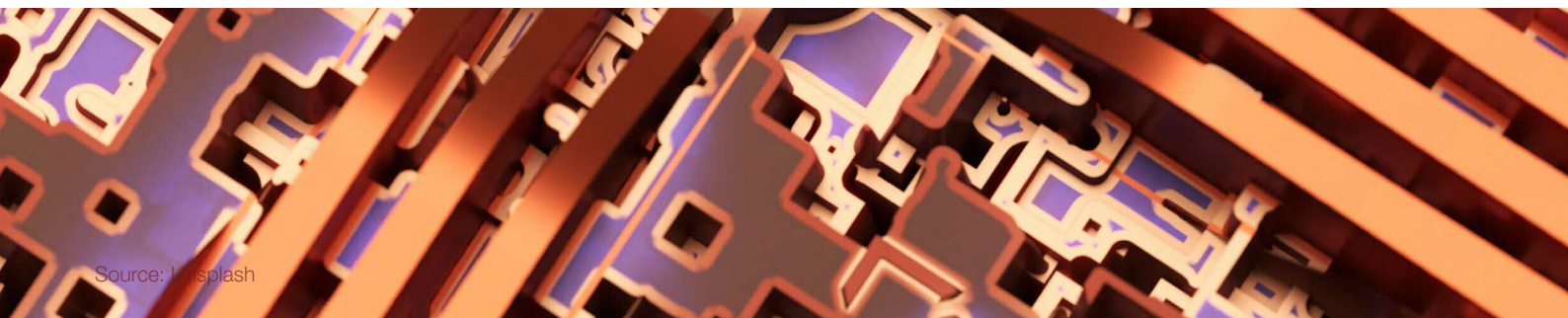


Yeang Cheng Ling
CIO, North Asia

Ling Lee Keng
Analyst

Daryl Lim, CFA
Analyst

Jim Au
Analyst



Source: iStockphoto

Advanced nodes driving growth

The semiconductor foundry market is poised for continued growth, with revenue projected to reach USD164.6bn in 2025, marking a 16.2% y/y increase following a robust 22.9% growth in 2024. This expansion is expected to be primarily driven by strong demand for advanced node wafers and AI-embedded chipsets. Overall capacity utilisation is also expected to remain high, reaching 77% in 2025 – a recovery from the 70% low in 2023 – further bolstered by 79% utilisation rates in leading-edge nodes 7nm and below. Key players include TSMC, with a revenue market share of c.65%, followed by Samsung Electronics and GlobalFoundries, with a market share of under 10% each.

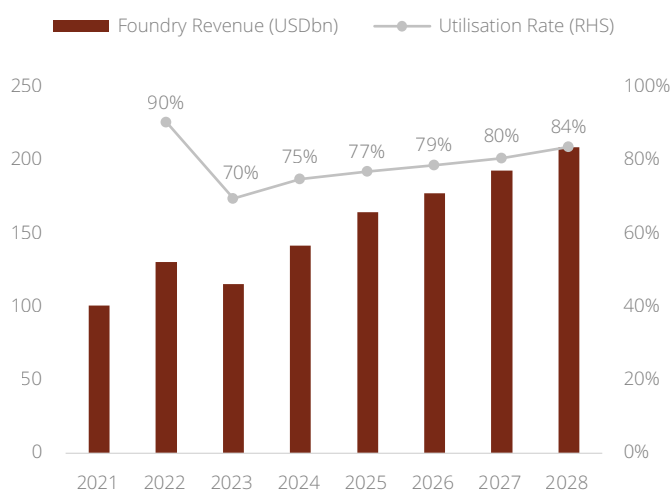
Advanced nodes surge, mature nodes lag. Robust demand for advanced node wafers and packaging has driven significant growth in wafer shipments and utilisation rates of leading-edge chips. Taiwan's capacity is projected to increase by 8.2% y/y in 2025. Conversely,

utilisation for mature nodes remains subdued, due to an oversupply stemming from recent capacity expansion. However, this new capacity (28nm and older nodes) is largely concentrated in China, reflecting the country's commitment towards semiconductor self-sufficiency. Hence, Chinese foundry capacity is expected to continue to expand by 14.2% y/y in 2025.

Latest quarterly results reaffirm our constructive outlook on foundry sector's resilience. The foundry business typically thrives during technology upcycles, driven by robust demand for advanced process nodes. Most of the foundries under our coverage reported results that exceeded consensus expectations, with those exposed to leading-edge nodes – such as 5nm or below – outperforming their peers. While uncertainty remains at the mature process node segment, where excess capacity expansions by local Chinese foundries could lead to near-term oversupply, in the long run, pure mature node business will benefit from the accelerating localisation of electronics manufacturing within China, which should drive sustained demand.

AI powers demand for leading-edge nodes while China accelerates demand for mature nodes. While leading-edge nodes could still be in high demand due to AI, the emergence of DeepSeek, a Chinese AI chatbot developed using less advanced, lower-cost chips, could potentially reduce demand for ultra-high-end chips (<5nm). This shift may benefit companies producing less advanced chips. As such, mature nodes present a significant growth opportunity, particularly in China, which is working towards its self-sufficiency goal of achieving 80% domestic production by 2030. In 4Q24, TSMC derives 74% of its total revenue from 7nm and below nodes, while foundries such as SMIC and GFS are mainly in the mature nodes space, though SMIC is gradually moving up the value chain.

Foundry revenue vs utilisation rate



Source: Gartner, DBS

Table 1:

Company Commentary

Name	DBS Rating	Target Price	Rationale	Analyst
TSMC (TSM US)	BUY	USD223.00	Sustainable AI growth. TSMC continues to benefit from strong demand in AI and smartphones. Recent performance was robust, with revenue and earnings posting healthy gains. Management's guidance reflects sustained growth, driven by strong orders for its 3nm nodes and progress on 2nm technology, which is slated for mass production in 2025. As a result, TSMC's earnings are expected to grow significantly over the next couple of years.	Jim Au
GlobalFoundries (GFS US)	BUY	USD60.00	Enduring partnerships propel growth. The group expects revenue to grow sequentially throughout 2024 amid the global semiconductor recovery. Our outlook remains optimistic, reinforced by its robust LTAs with key automotive and smart device customers – such as Qualcomm and Infineon – that secure a steady wafer supply. Additionally, the expansion of manufacturing capabilities, supported by government funding, is set to drive growth in the coming years.	Jim Au
SMIC (981 HK)	BUY	HKD53.20	Poised to capture AI chip growth in China with most advanced process node. SMIC, equipped with its cutting-edge most advanced N+2 process technology (delivering performance, approaching that of the 7nm nodes), is uniquely positioned to capitalise on the burgeoning demand for AI processing chips in China. Supported by a robust capacity expansion plan and a recovering end-market, SMIC is poised for improved wafer utilisation and a rebound in wafer ASP. These factors are expected to drive a solid earnings turnaround in the near term, reinforcing SMIC's competitive edge in advanced semiconductor manufacturing.	Jim Au

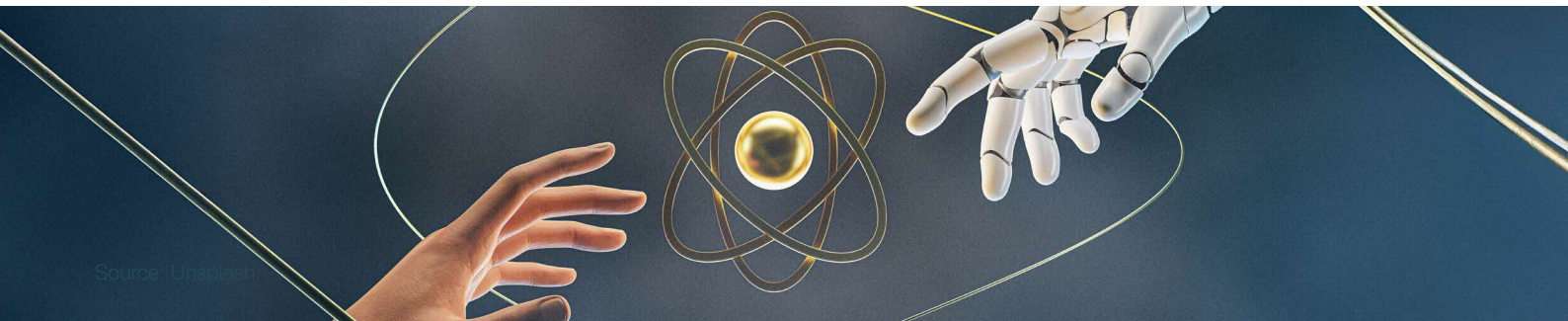
Source: Bloomberg, DBS
Data as at 20 Feb 2025

Table 2:

DBS Coverage at a Glance

Bloomberg Ticker	Company	DBS Rating	DBS Target Price (LCY)	Market cap (USDbn)	Fwd. P/E (x)	Div. yield (%)	1Y Fwd EPS Growth (%)	Geography	Analyst
GFS US	GlobalFoundries	BUY	USD60.00	24.7	26.6	-	448.8	United States	Jim Au
1347 HK	Hua Hong	HOLD	HKD27.00	9.5	50.5	0.4	176.5	China	Jim Au
981 HK	SMIC	BUY	HKD53.20	65.9	59.8	-	74.4	China	Jim Au
TSM US	TSMC	BUY	USD223.00	1,037.8	21.9	0.9	-	United States	Jim Au
UMC US	UMC	BUY	USD10.00	16.5	11.5	5.3	-	Taiwan	Jim Au

Source: Bloomberg, DBS
Data as at 20 Feb 2025



Beneficiary of lower AI cost & Agentic AI

2025 is set to experience the third wave of AI, defined by Intelligent Agents. Software companies also stand to benefit from the lower cost of AI-infrastructure due to the proliferation of efficient models like DeepSeek. The ERP software market is expected to grow at a CAGR of 14%¹ over 2024-2032, compared to a 13% CAGR for CRM and a global software market CAGR of 12%².

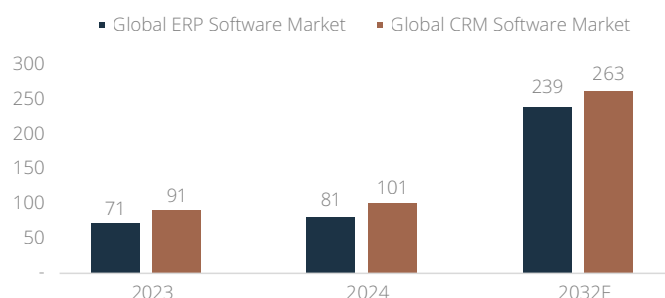
2025 is set to benefit from the third wave of AI³. The first wave was predictive models that analyse data. The second wave was GenAI, driven by deep-learning models like ChatGPT. Now, we are entering the third wave of AI, defined as Agentic AI that can autonomously handle complex tasks. Unlike the second wave of AI, which relies on prompt inputs and lacks the ability to perform autonomous decision making, Agentic AI is able to analyse the context, customer history, and preferences to determine actions autonomously. For instance, Salesforce's Einstein GPT can assist customers with a product return, whereas its Agentforce performs the

entire process of generating labels, scheduling pickups, and processing refunds, all without customer intervention beyond the initial request.

Expect high single-digit revenue growth ahead. Major players Salesforce, Oracle, Intuit, and SAP, reported in line with or above consensus adjusted earnings in CY3Q24, riding on margin expansions and lower-than-expected tax rates. Salesforce closed 2,000 AI-related deals during FY3Q25, including 200 Agentforce deals. In terms of outlook, Salesforce and Oracle have guided revenue to grow by 7-9% y/y in FY4Q25 and FY3Q25 respectively, with Oracle benefitting from multi-cloud agreements. In the long term, Agentforce is expected to add 1% and 2% in incremental revenue to Salesforce's FY26F and FY27F revenue. SAP expects cloud revenue to grow by 24-27% y/y in FY24F.

Favour software companies set to benefit from lower AI-infrastructure costs with Agentic AI boosting their sales. Software companies stand to benefit from lower AI-infrastructure costs due to the proliferation of efficient models like DeepSeek. Currently, Salesforce, Intuit, Oracle, and SAP are integrating Agentic AI into their existing products to boost their utility. ERP companies stand to benefit most from Agentic AI due to its ability to (i) interact with other AI agents to ease workflow and (ii) enable C-level executives to engage ERP systems without the aid of a specialist.

Global ERP & CRM software market size (USDbn)



Source: Fortune Business Insights, DBS

¹ Fortune Business Insight

² Precedence Research

³ Three waves of AI from Marc Benioff, CEO of Salesforce

Table 1:

Company Commentary

Name	DBS Rating	Target Price	Rationale	Analyst
Salesforce (CRM US)	BUY	USD422.00	The world's largest CRM provider. Salesforce provides CRM software and applications focused on areas in sales, customer service, marketing, e-commerce, and analytics. Salesforce launched Agentforce in Oct 2024, enabling advanced AI customer interactions, and secured 2,000 AI deals, including 200 for AgentForce, in 3Q25. Its market-leading position enables it to start monetising its Einstein GPT since its launch in Mar 2023. We like it for its leadership position in the CRM sector. The stock offers an adjusted earnings CAGR of 13% over FY25F-FY27F (January YE). Our target FY25F EV/Sales multiple is 10x, above its historical average of 6.7x.	Sachin Mittal
Oracle (ORCL US)	BUY	USD216.00	A small public cloud player that is gaining market share. Oracle offers two popular cloud-based solutions, Fusion and NetSuite ERP cloud, which have fared relatively well in the past quarters and registered 20-30% y/y growth rates. Oracle is also a public cloud company with a small single-digit percentage market share. Its IaaS business demonstrated robust growth compared to other hyperscale cloud incumbents. We like it for its continuous market share gain in the public cloud sector with its AI niche. The stock offers an adjusted earnings CAGR of 16% over FY25F-FY27F (May YE). Our EV/Sales target multiple is 11.7x., higher than the five-year historical average forward EV/sales of 6.3x.	Sachin Mittal
SAP (SAP GR)	BUY	EUR278.00	Ongoing cloud migration from legacy licensing model. The revenue contribution mix from software licenses/cloud subscriptions has changed from 16%/25% in FY19 to 6%/43% in FY23. The rapid decline and transition from legacy licensing towards more predictable recurring cloud revenue should bode well for SAP as it moves into a potentially tougher macro environment in the future. We believe its restructuring programme and partnership with Nvidia will enhance its AI capabilities. The stock offers an adjusted earnings CAGR of 16% over FY25F-FY27F (December YE). Our EV/Sales multiple is 10x, higher than the five-year historical average forward EV/sales of 5x, as the company continues to deliver strong cloud revenue growth.	Sachin Mittal
Intuit (INTU US)	BUY	USD760.00	Strong customer base to support solid growth. Intuit's growth has been predominantly organically fuelled over the years and also gravitates around developing its iconic products (e.g. QuickBooks Online Accounting Solution) that focus on serving over 100mn small businesses and individuals. We like it for its promising growth outlook. The stock offers an adjusted earnings CAGR of 15% over FY25F-FY27F (July YE). Our target EV/Sales multiple is 13.5x., 2 SD above average.	Sachin Mittal

Source: Bloomberg, DBS
Data as at 20 Feb 2025

Table 2:

DBS Coverage at a Glance

Bloomberg Ticker	Company	DBS Rating	DBS Target Price (LCY)	Market cap (USDbn)	Fwd. P/E (x)	Div. yield (%)	1Y Fwd EPS Growth (%)	Geography	Analyst
CRM US	Salesforce	BUY	USD422.00	304.7	31.7	0.5	136.0	United States	Sachin Mittal
ADBE US	Adobe	BUY	USD703.00	197.9	22.3	-	64.0	United States	Sachin Mittal
SAP GR	Sap	BUY	EUR278.00	353.7	42.9	0.8	138.6	Germany	Sachin Mittal
INTU US	Intuit	BUY	USD760.00	162.1	30.0	0.7	82.3	United States	Sachin Mittal
ADP US	Automatic Data Processing	HOLD	USD306.00	126.9	31.4	1.8	8.8	United States	Sachin Mittal
ORCL US	Oracle	BUY	USD216.00	492.3	28.7	0.9	60.6	United States	Sachin Mittal
WDAY US	Workday	BUY	USD295.00	69.6	36.6	-	35.5	United States	Sachin Mittal
ZM US	Zoom	BUY	USD102.00	25.7	15.4	-	156.4	United States	Sachin Mittal

Source: Bloomberg, DBS
Data as at 20 Feb 2025

Sports Apparel

Dylan Cheang
Strategist

Alison Fok
Analyst

Benjamin Goh
Analyst

Mavis Hui
Analyst



Health is wealth

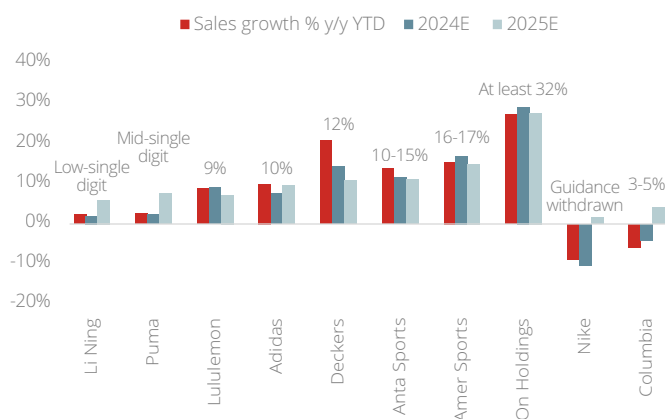
The global sportswear industry, comprising athletic footwear, apparel, and accessories, is projected to grow at a 2023-28E CAGR of 6%, reaching USD451bn by 2028E. The top three players in the US market are Nike, Adidas, and Lululemon, which collectively account for 24% of the industry.

Health is wealth. Consumers' prioritisation of health and wellness continue to drive demand for sportswear, with over 80% of US and Chinese customers treating wellness as a priority, according to McKinsey. Some of the highest growth areas include health-at-home solutions, wearables, and sports-related apparel, which are expected to outpace non-sports apparel categories in 2025. Among product segments, sports footwear will continue to outpace sports apparel, driven by its versatility and ability to seamlessly integrate with everyday workwear. Additionally, the line between sportswear and luxury continues to blur given the rise in brand collaborations (LOEWE x On) and luxury brand participation in global sporting events, taking Louis

Vuitton's appointment as an official partner of F1 and the Olympics as a case in point.

Mounting pressure on the incumbents. The sportswear sector continues to face heightened competition from emerging challenger brands such as On, Hoka (Deckers), New Balance, and Asics. These brands have experienced robust growth in recent years through product innovation, specialised sports categories, and strategic marketing. Sportswear brands with a premium product positioning, coupled with technical expertise and smart wearable integration such as On's LightSpray or Hoka, are expected to continue attracting consumer demand, driving full price realisation and brand loyalty. Incumbent brands like Nike and Adidas will need to diversify their offerings and cultivate more authentic partnerships with athletes and celebrities to maintain relevance and brand loyalty. The top three players in the US saw their market share decline by 2 %pts to 24% in 2024, signalling a shift in the competitive landscape.

Topline guidance (currency neutral basis)



Source: Refinitiv, DBS
Note: Nike, FY May 2025 guidance

China: The key battleground. China's sportswear market remains highly sought-after with sportswear spending outpacing other regions. Domestic brands, such as ANTA and Li Ning have successfully localised their offerings and capitalised on fast-growing trends like outdoor wear for winter sports, running, and more. Between 2020 and 2024, domestic brands increased their market share by 13.6 %pts to 50.9%, while international brands recorded an 11.1 %pts decline to 45.1%. That said, smaller rivals such as Lululemon and On have targeted China as a key market of expansion and could become stronger contenders in the medium term. Major winter sporting events, including the 2025 Asian Winter Games in Harbin, continue to raise interest towards winter sports such as skiing, free-style skiing, speed-skiing, short-speed skiing, and ice-hockey.

Table 1:

Company Commentary

Name	DBS Rating	Target Price	Rationale	Analyst
Nike (NKE US)	HOLD	USD75.00	Downward pressure persists. Nike is the largest sports apparel brand operator globally, boasting leading market shares across key categories including basketball, running, and football. Sales across North America, EMEA, Greater China, and others continue to face downward pressure, with the company turning to cost-cutting strategies such as cuts in promotional activities and reduced investments in performance marketing.	Alison Fok
Adidas (ADS GR)	BUY	EUR285.00	Making a comeback. Adidas is a leading designer and developer of athletic and sports lifestyle products; its lifestyle categories contain star products such as Samba, Gazelle, and Spezial. By working on its sell-through rates and controlling its retail discount levels, Adidas plans to accelerate the launch of Adizero running products, with further rollouts catering to running and football. Recovering from Yeezy's impact, the brand's core revenue has resumed growth in all markets, with North America also turning around from 4Q24.	Alison Fok
Lululemon (LULU US)	FULLY VALUED	USD281.00	Potential growth from global expansion. Lululemon is a designer, distributor, and retailer of lifestyle-inspired athletic apparel, footwear, and accessories, targeting categories such as running, training, yoga, "On the Move" as well as "Play" (tennis, golf, and hiking). Despite a slowdown in US, its home market, the company targets to quadruple its international revenue between 2021-2026, especially in China. Lululemon intends to focus on product innovation, guest experience, and market expansion to achieve USD12.5bn by 2026E.	Alison Fok
ANTA Sports (2020 HK)	BUY	HKD108.00	Sustained growth momentum for China's largest sportswear player. ANTA Sports anticipates sustaining its teen-level top-line growth until 2026 – driven by ANTA (10%-15%), FILA (10%-15%), and other brands such as Descente & Kolon Sports (30%) – with the intention to maintain an operating margin of over 20% across all brands. With the successful spin-off of Amer Sports, ANTA Sports continues to harness improving growth through offline retail channels, which command better retail discounts and consumer engagement.	Alison Fok
Li Ning (2331 HK)	BUY	HKD21.90	Optimistic outlook given healthy inventory mix. Li Ning is China's second largest domestic sportswear player. Looking ahead, Li Ning expects to deliver low-to-mid single-digit growth in its top line, with a teen-level net profit margin. The company will place stronger effort into refining its product mix and controlling its retail discount to stabilise channel sales. Despite concerns, Li Ning's channel inventory remains healthy, with the bulk of its inventory mix standing at six months or below as of end Jun 2024.	Alison Fok
Puma (PUM GR)	BUY	EUR42.00	Heightened focus on profitability growth. The German-based sportswear brand leverages on its NITRO foam technology across key running styles such as DEVIATE, VELOCITY, and FOREVERRUN. Besides Europe, Puma has its sights set on China and the US. Despite decent topline growth delivered in 2024, the company missed expectations on margin. Puma has initiated the "nextlevel" cost efficiency program to achieve an EBIT margin of 8.5% by 2027 (2024: 7.1%) and 10% in the long run.	Alison Fok

Source: Bloomberg, DBS
Data as at 12 Feb 2025

Table 2:

DBS Coverage at a Glance

Bloomberg Ticker	Company	DBS Rating	DBS Target Price (LCY)	Market cap (USDbn)	Fwd. P/E (x)	Div. yield (%)	1Y Fwd EPS Growth (%)	Geography	Analyst
NKE US	Nike	HOLD	USD75.00	114.2	35.8	2.0	-42.6	United States	Alison Fok
ADS GR	Adidas	BUY	EUR285.00	46.6	59.0	0.3	1,094.8	Europe	Alison Fok
LULU US	Lululemon Athletica	FULLY VALUED	USD281.00	44.6	25.5	-	17.3	United States	Alison Fok
PUM GR	Puma	BUY	EUR42.00	4.4	14.8	2.9	-6.0	Europe	Alison Fok
2020 HK	ANTA Sports	BUY	HKD108.00	29.9	16.8	2.8	24.4	China	Alison Fok
2331 HK	Li Ning	BUY	HKD21.90	5.5	12.7	3.7	-2.6	China	Alison Fok

Source: Bloomberg, DBS
Data as at 20 Feb 2025



Source: Bloomberg

Weathering policy fears in the US

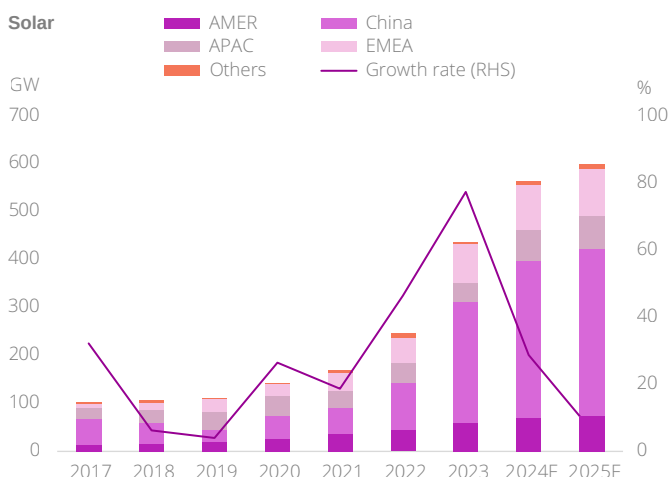
Global renewable energy capacity must increase by 15% CAGR y/y and be supported by USD4.8tn in annual clean energy investments to achieve the world's 2030 net-zero goals. Despite policy challenges, IEA forecasts renewables to account for 46% of global electricity generation by 2030, up from 30% in 2023. Countries like China, US, and Germany house some of the largest renewables-focused utilities, which will continue to scale and benefit from this growth trend.

Healthy growth is expected for global renewable installations in 2025F, but negative US news take the limelight. Global renewables installation is forecasted to continue growing at a decent single-digit clip in 2025 after +20% y/y growth in 2024. Despite a healthy growth backdrop, investor sentiment towards the space has declined, particularly in the US where worries surround

the new administration's approach to energy transition. Trump's actions include (i) a withdrawal from the Paris Climate Agreement, (ii) suspension of offshore wind power leases, (iii) a funding freeze on the IRA and Infrastructure Investment and Jobs Act, and (iv) proposals for higher tariffs, which could result in higher equipment/material costs for renewable developers. On the other hand, grid transmission infrastructure has been gaining traction with Trump promising to relax permitting hurdles for such projects to support data centre (DC) build-outs.

4Q24 commentary hints at robust fundamentals, remaining relatively unshaken by IRA and tariff fears. The latest 4Q24 results reported by US utilities/renewables players' met expectations. Many continue to guide for a robust renewables outlook despite worries surrounding a IRA tax credit roll-back and higher tariffs. In the event of an adverse policy impact, power producers plan to utilise (i) their long-term equipment/material supply procurement contracts and (ii) cost pass-through strategies to minimise negative impact. We believe the tight demand-supply dynamics in the US power market can help power producers mitigate much of the negative impact on their project returns.

Annual new installation forecast of solar power (GW) globally in 2025F



Source: BNEF, DBS

Navigating policy changes: A selective approach. We expect some level of uncertainty for stocks with US renewables exposure and advise investors to prioritise integrated utilities with constructive policy tailwinds. Within the renewables sector, we favour developers with a proven track record and strong execution capabilities. While nuclear energy companies offer compelling prospects due to bipartisan support and tailwinds from AI demand, we believe the positive sentiment is largely reflected in their current valuations, and investors could look for better entry points.

Table 1:

Company Commentary

Name	DBS Rating	Target Price	Rationale	Analyst
NextEra Energy (NEE US)	HOLD	USD75.00	The crown jewel combination of best-in-class utility and renewables. NEE is among the best performing US utility company based on its regulated ROE and its role as the world's largest renewables developer. Although we remain positive on the company's prospects with a healthy two-year EPS CAGR of 8% (in-line with its peers), we anticipate share price volatility in the near-term arising from Trump's policy headwinds. NEE is trading at forward EV/EBITDA ratio of 12.7x (-1.6 SD of historical mean) with a forward dividend yield of c.3%.	Elizabelle Pang
Duke Energy (DUK US)	BUY	USD125.00	Long-term grid play. By 2035, Duke aims to enhance its grid reliability and incorporate 30GW of regulated renewable energy, via its USD73bn five year capex plan with 50% of capital focused on grid investments. We believe the rising national focus on grid infrastructure under the Trump administration will boost investor sentiment towards the counter. Consensus is forecasting a two-year EPS CAGR of 7% (in line with its peers), with Duke trading at a forward EV/EBITDA ratio of 12.0x (+0.6 SD of historical mean) with forward dividend yield of c.4%.	Elizabelle Pang
Brookfield Renewable Partners (BEP US)	BUY	USD33.00	Best-in-class renewable play. BEP is one of the largest renewables players with a diversified renewable portfolio valued at USD69bn across the globe. Although BEP could experience volatility from Trump's policy headwinds, we believe BEP is well-positioned to overcome these challenges given its global and diversified exposure, proven track record, and strong execution capabilities. A potential share buyback programme can also help to support share price. BEP is trading at forward EV/EBITDA ratio of 19x (+0.4 SD), with forward dividend yield of >6.5%.	Elizabelle Pang
Constellation Energy (CEG US)	HOLD	USD300.00	Nuclear energy is a major beneficiary of data centre power demand. Nuclear is a reliable source of clean energy with a robust capacity factor of >90% (vs solar/wind at 20-30%), that is suitable for power-intensive industries such as DCs. Although we believe CEG is well positioned to hedge against Trump policy headwinds given the bipartisan support for nuclear, we note that CEG is currently trading at rich valuations at forward PE of 35x (+4 SD) (above its US peers of 18x). We propose investors to look for better entry points.	Elizabelle Pang

Source: Bloomberg, DBS

Table 2:

DBS Coverage at a Glance

Bloomberg Ticker	Company	DBS Rating	DBS Target Price (LCY)	Market cap (USDbn)	Fwd. P/E (x)	Div. yield (%)	1Y Fwd EPS Growth (%)	Geography	Analyst
IBE SM	Iberdrola	HOLD	EUR14.10	90.8	15.2	3.5	17.0	Spain	Ho Pei Hwa
ENEL IM	Enel	BUY	EUR8.30	72.5	10.1	6.3	110.3	Italy	Ho Pei Hwa
VIE FP	Veolia	BUY	EUR37.70	21.1	13.2	4.6	54.5	France	Ho Pei Hwa
EOAN GR	E.On	BUY	EUR14.50	32.4	10.5	4.5	458.0	Germany	Ho Pei Hwa
RWE GR	RWE	HOLD	EUR33.00	22.4	9.5	3.5	54.8	Germany	Elizabeth Pang
ORSTED DC	Oersted	BUY	DKK350.00	17.9	11.9	-	1,258.3	Denmark	Elizabeth Pang
NEE US	NextEra Energy	HOLD	USD75.00	144.3	19.1	2.9	8.6	United States	Elizabeth Pang
DUK US	Duke Energy	BUY	USD125.00	87.2	17.9	3.7	10.8	United States	Elizabeth Pang
CEG US	Constellation Energy	HOLD	USD300.00	97.5	33.8	0.5	-23.2	United States	Elizabeth Pang
BEP US	Brookfield Renewable Partners	BUY	USD33.00	15.5	-	6.0	-	United States	Elizabeth Pang

Source: Bloomberg, DBS
Data as at 20 Feb 2025

Glossary

Acronym	Definition	Acronym	Definition
ADAS	advanced driver-assistance systems	IT	Information Technology
AI	artificial intelligence	LDR	loan to deposit
APAC	Asia Pacific	LLM	large language model
ASEAN	Association of Southeast Asian Nations	LNG	Liquefied natural gas
ASP	average selling price	LPR	loan prime rate
AV	autonomous vehicle	LTA	long-term agreement
AxJ	Asia ex-Japan	LVMH	Moët Hennessy Louis Vuitton
bbl	barrel	M&A	mergers and acquisitions
bpd	barrels per day	mmbpd	million barrels per day
bps	basis points	MW	megawatts
CAGR	compound annual growth rate	NEV	new energy vehicle
CASA	Current Account Saving Account	NII	net interest income
CRE	commercial real estate	NIM	net interest margin
CRM	Customer Relationship Management	nm	nanometre
DTC	direct-to-consumer	NPL	nonperforming loan
EBIT	earnings before interest and taxes	O&G	oil & gas
EBITDA	earnings before interest, tax, depreciation, and amortisation	OEM	original equipment manufacturers
EC	European Commission	OPEC+	Organisation of the Petroleum Exporting Countries
EIA	Energy Information Administration	OPM	operating profit margin
EMEA	Europe, the Middle East and Africa	P/B	price-to-book
EPFR	Emerging Portfolio Fund Research	P/E	price-to-earnings
EPS	earnings per share	P&C	Property & Casualty
ERP	Enterprise Resource Planning	PC	personal computer
ETF	exchange-traded fund	PET	polyethylene terephthalate
EU	European Union	R&D	research and development
EV	electric vehicle	ROA	return on asset
FDA	US Food and Drug Administration	ROE	return on equity
FX	foreign exchange	SD	standard deviation
GPT	graphics processing unit	SEA	Southeast Asia
GPU	Generative Pre-trained Transformer	SG&A	Selling, general, and administrative expenses
GST	goods & services tax	SOE	state-owned enterprise
GW	gigawatts	SVOD	subscription video on demand
HIBOR	Hong Kong Interbank Offered Rate	TP	target price
HY	high yield	VAS	value added services
IEA	International Energy Agency	VNB	Value of New Business
IoT	internet of things	YE	year-end
IRA	Inflation Reduction Act	YTD	year-to-date

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STRONG BUY (>20% total return over the next 3 months, with identifiable share price catalysts within this time frame)
BUY (>15% total return over the next 12 months for small caps, >10% for large caps)
HOLD (-10% to +15% total return over the next 12 months for small caps, -10% to +10% for large caps)
FULLY VALUED (negative total return, i.e., > -10% over the next 12 months)
SELL (negative total return of > -20% over the next 3 months, with identifiable share price catalysts within this time frame)

**Share price appreciation + dividends*

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