

# CIO Industry Guide

## August 2025.

### Robust Inflows

Industrials recorded the highest inflows this quarter on the back of re-shoring, increased infrastructure, and defence spending, along with structural tailwinds from energy transition and automation. Financials and tech also experienced significant inflows

### S&P Rally

Tech, consumer staples, and healthcare reported the highest earnings surprises in 2Q earnings. S&P 500 will deliver a strong earnings growth of c.13% in 2025

### Defensive Growth

Financials, logistics, and aerospace & defence offer earnings visibility through capital discipline, dividend support, and structural demand, positioning them as key defensive growth plays amid macro uncertainty

### Unstoppable AI

AI-driven tailwinds propel data centres, semicon, and software with rising chip demand, hyperscaler spend, and ERP/CRM AI agents, unlocking higher volumes and margin gains for these industries



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# Foreword



Source: Unsplash

No one can predict the future with absolute surety, but no poker player ever said the game was “too random”. One plays according to all the information available, including their hand and their opponents.

We do the same when navigating the markets; look at all the information we are presented with and make the best of the current situation. Here’s what we currently have to contend with:

Tariff front-loading is receding and it is worth keeping an eye on corporate margin contraction in the coming months. The downbeat tone struck by Walmart is a cautionary tale.

The question for tomorrow is whether increasing production costs will translate materially into inflation. Even then, how forcefully will consumers react to the pinch?

All these are big questions the Fed will have to grapple with – notwithstanding market expectations – as they gear up for three more FOMC meetings across the remainder of the year. The futures market is pricing in two more 25 bps cuts this year, but the situation remains fluid and incoming inflation and jobs numbers will be key.

For investors, let’s focus on what we have in pocket: Tech continues to be driven by structural forces even as divergences emerge, including stronger tailwinds in Asia.

Meanwhile, dollar weakness remains a boon for EM risk assets. Ride the wave.

I hope that this issue of the CIO Industry Guide offers a clearer picture of today’s opportunities and pitfalls within the equity universe, considering both systemic and human factors. Enjoy the read.

”

**Dylan Cheang**

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

# Industry Highlights



## Aerospace & Defence

As the aerospace supply chain steadies, aircraft OEMs such as Airbus and Boeing are positioned for a multi-year earnings upcycle, potentially overshadowing the growth momentum of engine OEMs like GE Aerospace, RTX, and Rolls-Royce.

[Read article on pg.](#)

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## Data Centres

Chinese data centre operators are poised for a re-rating as C-REIT launches unlock value, AI chip supply improves, and hyperscaler demand rises, offering greater upside compared to its US peers despite strong YTD gains and robust EBITDA growth.

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## Financials

Calmer markets have returned post “Liberation Day”. Despite lower interest rates, US banks are expected to power on with strong investment banking income and fixed assets repricing while Asian banks continue to act as dividend yield plays with 4-8% yields.

[Read article on pg.](#)

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## Food & Beverages

Volume growth remains weak in the US with pricing still the main driver amid soft consumer sentiment and tariff concerns. However, companies like Coca-Cola and Mondelez have shown sequential improvement in volume trends.



## Logistics

Flourishing e-commerce demand emerges as the key engine for robust growth in the global express market despite near-term trade headwinds with UPS and FedEx emphasising cost efficiency to safeguard profitability, prioritising capital returns as a key focus.

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## Oil & Gas

Given market uncertainties, integrated oil majors are holding up better than pure play upstream picks. European majors like Shell and BP could continue to re-rate with their pivot back to hydrocarbons.

[Read article on pg.](#)

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## Semiconductors Foundries

The semiconductor foundry market remains on a strong growth path, fuelled by booming AI demand and advanced node adoption. Capex is rising and momentum is building, benefitting industry leaders such as TSMC.

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## Software

Expect AI agents in ERP and CRM companies to drive significant operational efficiencies. Further acceleration in customer conversion will cut operational costs on top of c.10% y/y revenue growth in 3Q25. Expect SaaS providers to outperform due to faster AI monetisation.

[Read article on pg.](#)

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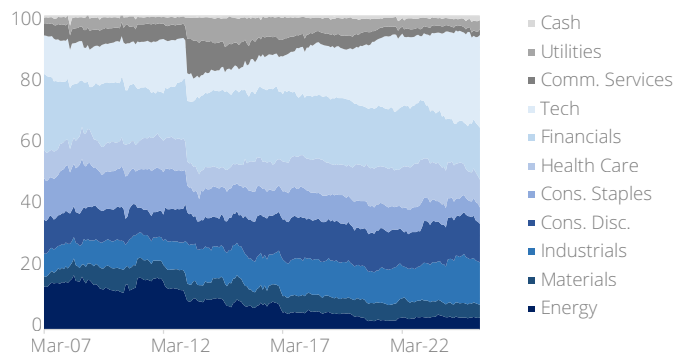
## Sports Apparel

Supply chain restructuring and tariff pressures drive sportswear polarisation with On Running and Lululemon demonstrating resilience through diversification and pricing power, while Nike, Adidas, and Puma face greater margin headwinds.

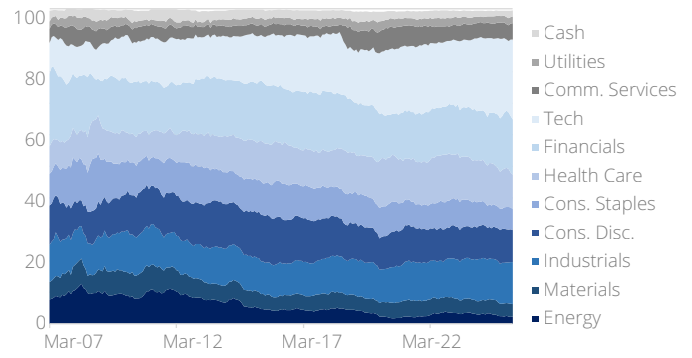
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# Sector Overview

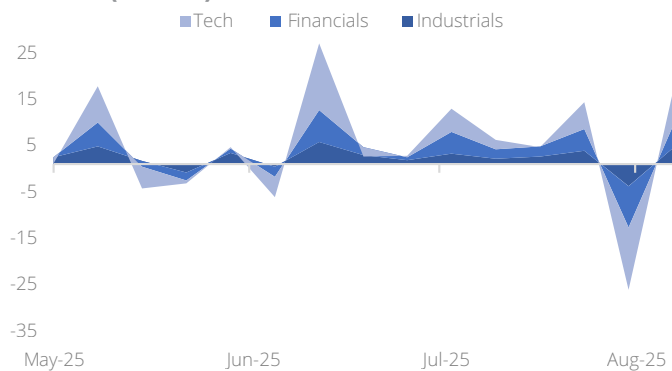
## Benchmark's sector allocation



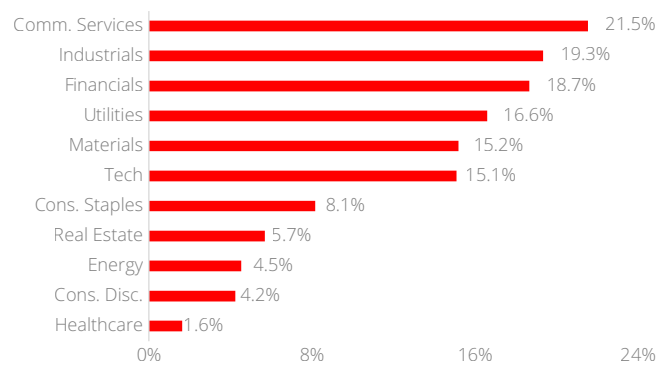
## Market's sector allocation



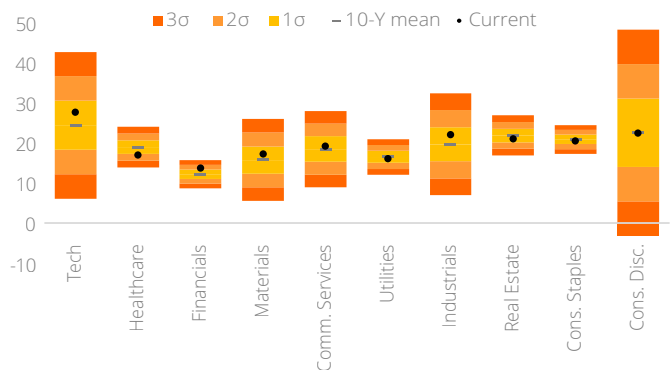
## Top three sectors leading the charge in quarterly inflows (USDbn)



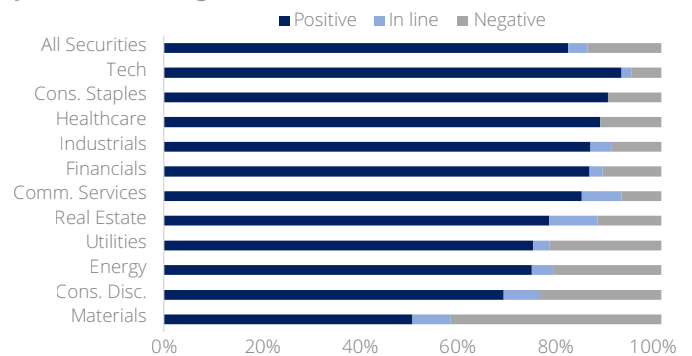
## Sector performance (YTD)



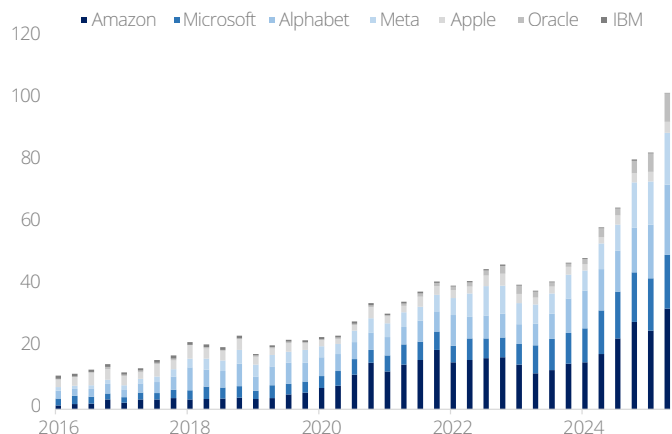
## Healthcare and real estate forward P/E are now below their 10Y mean



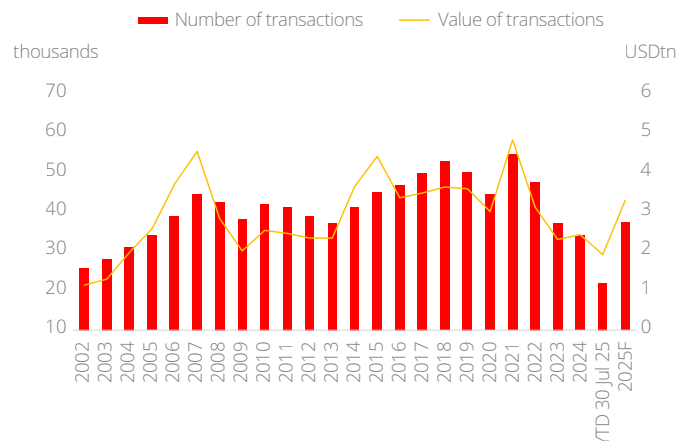
## Tech, consumer staples, and healthcare lead the pack in earnings season



## Hyperscaler capex (USDbn)



## Global M&A activities



Source: Bloomberg, IMAA, EPFR Global, DBS  
Data as at 15 Aug 2025

## Sectoral metrics across various regions

	YTD Perf. (%)	P/E (x)	P/B (x)	P/Sales (x)	EV/ EBITDA (x)	ROE (%)	ROA (%)	OPM (%)	GPM (%)	EBITDA Margin (%)	Debt to Equity (%)	Div. Yield (%)
<b>United States</b>												
US Equities	10.6	24.5	5.1	3.3	16.7	18.9	4.5	14.3	37.4	20.5	116.8	1.2
Financials	10.2	17.6	2.4	3.6	16.9	12.6	1.5	19.5	-	32.0	184.2	1.7
Energy	1.8	16.6	2.0	1.3	7.4	11.9	5.6	10.8	30.0	18.9	44.8	3.5
Technology	15.5	34.4	12.3	9.1	24.1	32.1	16.3	26.2	55.1	32.9	57.1	0.5
Materials	9.4	22.3	3.0	2.2	12.2	11.6	5.0	12.1	29.9	19.1	62.9	1.8
Industrials	14.5	26.8	6.8	2.9	17.2	23.8	7.0	13.2	28.2	17.7	120.1	1.4
Cons. Staples	7.0	23.0	6.6	1.6	16.2	25.0	7.5	7.3	28.3	9.8	128.5	2.6
Cons. Disc	2.2	29.6	8.6	2.9	17.2	25.6	8.1	11.0	38.3	17.2	142.0	0.6
Comm. Services	18.0	20.6	4.9	4.8	13.3	22.6	10.9	24.6	63.7	34.3	67.7	0.8
Utilities	14.7	19.8	2.2	2.9	12.5	11.3	3.2	21.2	67.0	37.8	158.7	2.8
Healthcare	0.4	17.8	4.5	1.4	13.2	20.7	7.4	8.2	26.7	10.8	91.4	1.9
Real Estate	3.5	37.7	3.0	6.5	19.1	7.7	3.2	20.8	-	40.9	110.7	3.5
<b>Europe</b>												
Europe Equities	26.4	15.9	2.1	1.7	10.8	12.6	1.6	12.4	39.2	18.5	173.3	3.2
Financials	52.4	11.7	1.5	2.1	-	12.7	0.7	17.9	-	-	320.4	4.3
Energy	21.0	10.3	1.1	0.6	3.9	10.1	3.5	8.9	45.7	17.4	56.0	5.5
Technology	9.3	28.0	4.9	4.5	17.4	16.1	8.5	17.3	51.5	23.5	29.7	1.3
Materials	16.9	18.8	1.7	1.1	8.6	8.2	3.9	7.7	23.7	14.0	55.3	2.9
Industrials	36.3	22.8	3.9	1.8	12.2	16.7	5.3	11.0	31.8	16.1	93.8	2.0
Cons. Staples	18.8	16.4	3.0	1.4	10.6	16.8	5.5	10.2	37.9	14.6	108.9	3.6
Cons. Disc	5.0	19.5	1.9	1.1	7.6	8.8	3.0	7.5	30.8	14.0	89.3	2.5
Comm. Services	32.9	22.0	2.2	1.7	7.6	7.8	2.2	14.3	53.4	32.2	128.1	3.0
Utilities	38.3	14.0	1.6	1.1	8.3	11.5	3.0	14.3	32.0	23.0	123.9	4.6
Healthcare	9.1	15.2	3.2	3.0	10.7	17.2	8.0	18.3	67.0	27.3	65.7	2.7
Real Estate	6.5	14.2	0.7	6.7	20.4	7.0	3.1	43.5	-	47.8	104.4	4.4
<b>Asia ex-Japan</b>												
AxJ Equities	20.5	15.4	1.9	1.6	10.7	11.8	2.2	12.9	27.9	18.1	100.5	2.4
Financials	22.0	10.5	1.2	2.8	-	11.2	1.0	23.2	-	-	196.5	3.6
Energy	9.6	12.9	1.2	0.6	3.8	9.3	3.9	6.8	20.1	12.0	48.4	3.4
Technology	21.9	17.9	3.0	1.8	9.3	16.9	10.8	11.3	22.3	18.3	26.5	2.1
Materials	22.1	21.8	1.5	1.0	9.1	6.8	2.9	7.1	22.2	12.5	65.9	2.0
Industrials	23.9	16.0	1.6	1.1	8.9	9.9	2.8	9.6	19.6	15.4	71.8	2.1
Cons. Staples	6.8	21.2	3.0	1.4	11.3	14.4	6.4	9.5	29.0	13.3	55.6	2.8
Cons. Disc	12.2	15.1	2.0	1.1	9.0	12.2	6.4	8.9	28.1	12.4	43.5	1.5
Comm. Services	36.9	20.9	3.5	4.5	12.7	14.9	8.4	22.1	58.4	33.9	40.7	1.2
Utilities	3.4	12.3	1.4	1.2	8.3	11.5	3.8	14.7	27.5	25.1	121.5	3.9
Healthcare	21.4	36.9	4.0	3.0	21.2	10.7	6.2	9.3	35.1	12.1	28.7	0.8
Real Estate	13.2	15.4	0.7	2.0	14.0	4.3	2.1	13.3	29.9	15.8	42.0	3.7

Source: Bloomberg, DBS  
Data as at 15 Aug 2025



# Time in the Market Beats Timing the Market

Source: Unsplash

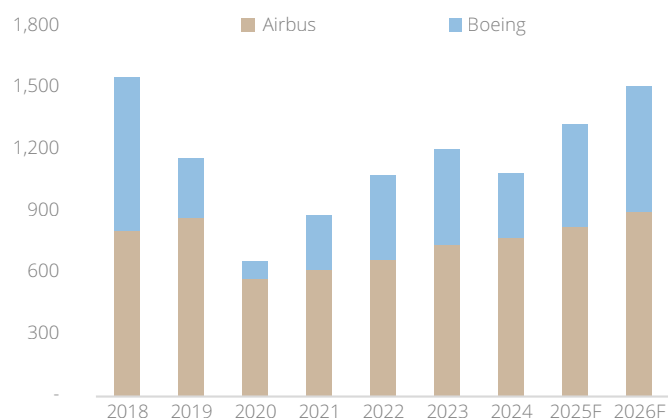


## Tariff risks fade, output ramps up

The global aerospace and defence industry generated **USD922bn** revenue across its 100 largest companies, spanning commercial aviation, military equipment, and related services in 2024. 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, thus bolstering demand for aircrafts. Amid elevated geopolitical tensions, a significant rise in global defence spending is also anticipated. Boeing, Airbus, RTX, GE Aerospace, and Rolls-Royce lead the commercial aerospace segment, while US defence contractors dominate the defence market.

**Tariff exposure remains contained as the production environment improves.** The commercial aerospace sector has managed tariff pressures effectively, supported by structural advantages and its role in US trade as one of the few industrial sectors with a sustained trade surplus, reaching USD83bn in 2024. Companies have adapted through supplier re-sourcing, duty drawback mechanisms, use of foreign trade zones, and pricing

**Commercial aircraft deliveries are expected to surge at a 18% CAGR over 2024-2026**



Source: Airbus, Boeing, DBS

flexibility in service agreements. Confidence in these strategies was reinforced in 2Q25 with numerous firms lowering estimated tariff impact. The sector has also benefitted from trade diplomacy and recent bilateral deals with countries placing aircraft and engine orders for Boeing and GE Aerospace, while aerospace parts and components remain exempt from tariffs on both sides. Meanwhile, supply chain conditions are improving with Airbus and Boeing reporting a 15% y/y increase in passenger aircraft deliveries in 2025 YTD.

**Commercial aerospace outperformed expectations in 2Q25, buoyed by aftermarket strength.** Rolls-Royce beat consensus by 79% and raised its guidance, supported by strong engine services and cost discipline. GE Aerospace also raised its outlook after a 16% earnings beat, driven by robust aftermarket demand. Boeing posted narrower-than-expected losses with significantly lower free cash outflow reflecting increased deliveries and improved working capital control. While Airbus missed on commercial deliveries, stronger results in defence and helicopters led to an earnings beat. Earnings risk now appears skewed to the upside as companies express greater confidence in managing tariff exposure and sustaining operational momentum.

**2025, an inflection point for aircraft OEMs.** Leadership may shift away from engine makers as their earnings growth is likely to moderate after exceptional aftermarket-driven outperformance. In contrast, aircraft OEMs appear well-positioned to reassert themselves as supply chains stabilise and output ramps up. We forecast total passenger aircraft deliveries to grow at a 15-20% CAGR over FY24-26, supported by tighter OEM-supplier integration, improved capital flow, and greater production efficiency. While aftermarket fundamentals remain healthy, we expect the performance gap to narrow with airframe OEMs benefitting more visibly from scaling volumes, delivery milestones, and a normalisation in programme execution risk.

Table 1:

## Company Commentary

Name	DBS Rating	Target Price	Rationale	Analyst
<b>Airbus</b> (AIR FP)	<b>BUY</b>	EUR200.00	<b>We remain optimistic about Airbus' medium-term earnings outlook</b> , projecting 25% core EPS CAGR between 2024 and 2026, underpinned by an improving supply chain, production ramp-up driving a 10% CAGR in aircraft deliveries, transformation of its space business, and greater economies of scale. While supply chain constraints may weigh on near-term aircraft output, we are confident that the company can make steady progress towards its longer-term targets. Valuations are also 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
<b>Boeing</b> (BA US)	<b>BUY</b>	USD260.00	<b>We are upbeat about Boeing, anticipating a potential earnings and free cash flow inflection from 2H25.</b> 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 towards its free cash flow target of USD10.0bn by 2027, and rather than attempting to time the market, we remain overweight on the stock.	Jason Sum
<b>GE Aerospace</b> (GE US)	<b>BUY</b>	USD280.00	<b>We are bullish on GE Aerospace</b> , 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 promising earnings growth trajectory.	Jason Sum
<b>RTX</b> (RTX US)	<b>HOLD</b>	USD150.00	<b>We maintain a neutral view on RTX, expecting a steady 10–15% earnings CAGR over FY24–26F.</b> While the outlook is broadly positive, it lags the stronger momentum of other commercial aerospace peers and appears largely priced in with the stock trading in the mid-20s on FY26 adjusted EPS. Commercial prospects remain supportive, underpinned by resilient aftermarket demand and improving aircraft production at Boeing and Airbus, driving OE growth. However, higher OE volumes will likely dilute margins, limiting earnings leverage. Additionally, downside risk remains from a potential softening in US defence budgets which could pressure RTX's earnings.	Jason Sum

Source: Bloomberg, DBS  
Data as at 18 Aug 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	USD280.00	284.0	45.4	0.5	-2.4	United States	Jason Sum
RTX US	RTX	HOLD	USD150.00	206.3	25.9	1.7	66.4	United States	Jason Sum
AIR FP	Airbus	BUY	EUR200.00	173.3	28.7	1.6	21.7	France	Jason Sum
BA US	Boeing	BUY	USD260.00	177.9	-	-	89.7	United States	Jason Sum
STE SP	ST Engineering	HOLD	SGD8.20	20.6	30.3	2.0	23.8	Singapore	Jason Sum

Source: Bloomberg, DBS  
Data as at 18 Aug 2025

Source: Unsplash



## US auto vs Trump tariffs

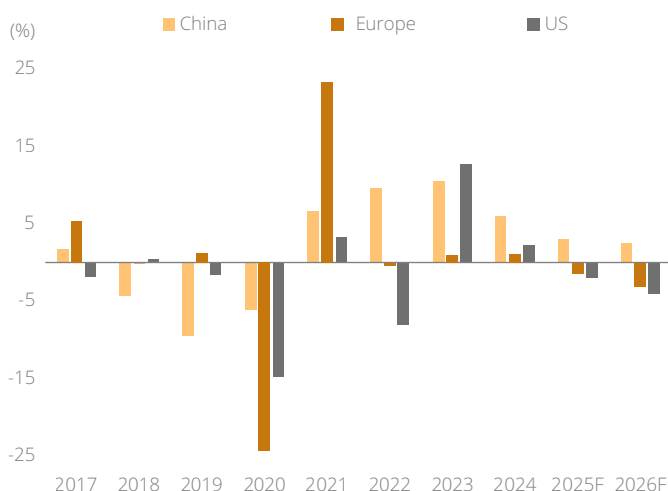
Global light vehicle sales and production reached 89.6mn in 2024 (+1.7% y/y) and 89.5mn (-1.1% y/y) respectively, led by strong growth from China. By 2030F, global light vehicles production is forecasted to grow by a steady +0.9% CAGR, underpinned sustained growth by China (+1.5% CAGR) and rapid expansion in South Asia (+3.9% CAGR). Largest light vehicle production markets include China (30mn units, 35% global share), Europe (17mn, 19%) and North America (15mn, 17%).

**Tariff risks to escalate in 2H25.** Since April, the US has reduced auto import tariffs from the initial 25% for select trading partners, with new rates set at 10% for the UK and 15% for Japan, South Korea, and the EU. However, the 25% tariff remains in place for vehicles from Canada and Mexico that do not meet the content requirements of the USMCA, while negotiations with both countries, as well as China, are still underway. Meanwhile, Trump

recently doubled tariffs on steel and aluminum imports from 25% to 50%, effective 1 Jun. These measures are expected to exacerbate global automotive supply chain disruptions in 2H25, as higher commodity costs feed through to rising vehicle prices amid softening demand. Against this backdrop, global auto sales are projected to contract by 1% in 2025F and 2026F, led by declines in the US.

**2Q25 earnings review: Automakers raise red flags over tariff fallout.** Automakers highlighted mounting profitability pressures in their 2Q25 results, with newly imposed US tariffs emerging as a dominant headwind. Ford and General Motors (GM) estimated an EBIT impact of USD3-5bn, while Toyota guided for up to USD4bn in combined tariff and FX drag. In response, OEMs are accelerating mitigation strategies, including localisation, pricing adjustments, cost optimisation, and supplier cost-sharing initiatives to cushion margin compression. Amid ongoing trade policy uncertainty, all major OEMs except GM revised their guidance downward. Ford, Toyota, and Honda trimmed their CY25 outlooks, while Tesla refrained from issuing formal guidance altogether.

### Vehicle sales projections by major markets



Source: CEIC, ACEA, Bloomberg, DBS

**Within US, we prefer GM and Toyota amid a cautious sector stance.** While we remain broadly conservative on US auto-related names due to the tariff overhang, we see relative value in GM and Toyota. GM reaffirmed its FY25 guidance, standing out among peers that issued downgrades, and announced a new USD6bn share buyback program, underscoring its balance sheet flexibility and shareholder return focus. Toyota, while temporarily pressured by tariffs and FX volatility, remains structurally resilient thanks to its global scale, diversified drivetrain portfolio (hybrids, EVs), and growing localisation across North America and ASEAN markets.

Table 1:

## Company Commentary

Name	DBS Rating	Target Price	Rationale	Analyst
<b>Tesla</b> (TSLA US)	<b>HOLD</b>	USD300.00	<b>Clouded near-term earnings visibility.</b> Tesla's 2Q25 results missed expectations, with EPS 5% below consensus on weaker deliveries and margin pressure from AI and R&D spend. Management guided for volume recovery in 3Q and flagged potential catalysts including the 2H25 next-gen model launch, FSD licensing, and Cybercab rollout. However, near-term earnings visibility remains clouded. We maintain HOLD with TP of USD300 as valuation stays stretched at 150x forward P/E (+1.4 SD above mean).	Elizabelle Pang
<b>General Motors</b> (GM US)	<b>HOLD</b>	USD55.00	<b>Greater resilience among US auto players.</b> GM beat 2Q25 EPS by 8% despite a 17% y/y drop, as strong pricing and EV momentum cushioned a USD1.1bn tariff hit. EV share gains and robust performance in China supported performance, though rising warranty costs remained a drag. FY25 guidance was reaffirmed, with tariff mitigation, pricing, and manufacturing flexibility key to offsetting macro headwinds. We maintain HOLD with TP of USD55, with GM trading at 5.5x forward P/E (-0.4 SD below mean).	Elizabelle Pang
<b>Ford</b> (F US)	<b>FULLY VALUED</b>	USD8.00	<b>Limited EV earnings visibility.</b> Ford delivered a 2Q25 EPS beat on strong Ford Pro and Model e performance, though tariff and EV cost pressures remain concerning. While revenue surprised positively and Model e losses narrowed, the EV segment remains deeply in the red. With lingering uncertainty around tariffs, commodity costs, and EV strategy, visibility is still limited. We maintain our fully valued stance and TP of USD8, pending Ford's 11 August EV update for more clarity on execution risks. Ford is trading at 8.5x forward P/E (+0.1 SD above mean).	Elizabelle Pang
<b>Toyota</b> (7203 JP)	<b>BUY</b>	JPY3,500	<b>Long-term transformation story.</b> 1Q26 earnings beat by 9% on resilient margins and 7% y/y sales growth, led by Japan and North America. Despite a 25% US tariff drag, EBIT margin held firm at 9.5% (vs est. 7.3%). FY26 profit guidance was cut, but management remains focused on localisation, pricing, and transformation, with strong free cash flow and shareholder returns intact. Maintain BUY with TP of JPY3,500, with Toyota trading at 10x forward P/E (+0.25 SD above mean).	Elizabelle Pang
<b>Honda</b> (7267 JP)	<b>HOLD</b>	JPY1,500	<b>Recovery pending.</b> 1Q26 earnings missed by 6%, dragged by auto segment weakness amid tariffs and EV-related costs, while motorcycle margins remained resilient. FY26 earnings guidance was cut 50% on continued FX and tariff pressure, with operating margin targets lowered to 3.3%. Management remains committed to cost control, localisation, and targeted capex, but macro risks including ASEAN softness cloud the near-term outlook. Maintain HOLD with TP of JPY1,500, with Honda trading at 9.6x forward P/E (+1.25 SD above mean).	Elizabelle Pang

Source: Bloomberg, DBS  
Data as at 18 Aug 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
1211 HK	BYD	BUY	HKD164.00	133.3	17.5	1.3	28.0	China	Rachel Miu
9866 HK	NIO	HOLD	HKD30.60	10.3	-	-	-	China	Rachel Miu
2015 HK	Li Auto	BUY	HKD136.00	25.9	18.3	-	-	China	Rachel Miu
9868 HK	XPeng	BUY	HKD118.00	18.9	-	-	74.2	China	Rachel Miu
TSLA US	Tesla	HOLD	USD300.00	1,066.2	189.8	-	-21.9	United States	Elizabelle Pang
GM US	General Motors	HOLD	USD55.00	53.6	6.0	0.9	45.4	United States	Elizabelle Pang
F US	Ford	FULLY VALUED	USD8.00	45.5	10.3	5.2	-25.0	United States	Elizabelle Pang
VOW GR	Volkswagen	BUY	EUR135.00	59.0	5.5	6.2	-18.9	Germany	Elizabelle Pang
MBG GR	Mercedes-Benz	FULLY VALUED	EUR40.00	60.2	9.2	8.1	-42.8	Germany	Elizabelle Pang
BMW GR	Bayerische Motoren Werke	FULLY VALUED	EUR70.00	66.7	8.3	4.8	-7.0	Germany	Elizabelle Pang
RACE US	Ferrari	HOLD	USD475.00	82.5	44.2	0.7	5.0	Italy	Elizabelle Pang
7203 JP	Toyota	BUY	JPY3,500	306.2	11.3	3.2	-29.5	Japan	Elizabelle Pang
7267 JP	Honda	HOLD	JPY1,500	58.7	11.5	4.2	-20.3	Japan	Elizabelle Pang
7269 JP	Suzuki	BUY	JPY2,300	23.8	9.4	2.3	-12.4	Japan	Elizabelle Pang

Source: Bloomberg, DBS  
Data as at 18 Aug 2025

# Consumer Electronics



**Yeang Cheng Ling**  
CIO, North Asia

**Ling Lee Keng**  
Analyst

**Daryl Lim, CFA**  
Analyst

**Jim Au**  
Analyst

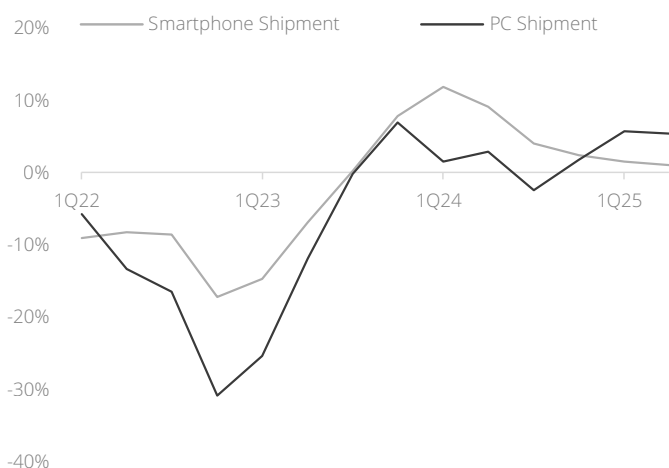
Source: Unsplash

## AI powers through tariff turbulence

**AI-enabled smartphones and PCs are set to drive consumer electronics growth. Powered by agentic AI and compute upgrades, unit shipments are projected to achieve a CAGR of 39% and 58% respectively between 2024-2028 (Gartner). Despite ongoing tariff tensions, demand remains resilient, supported by supply chain diversification, pricing discipline, and an AI-led replacement cycle. Market leadership is concentrated: Apple (19%), Samsung (18%), and Xiaomi (14%) dominate smartphones, while Lenovo (24%), HP (20%), Dell (15%), and Apple (9%) lead in PCs.**

**Recovery driven by new form factor.** Market sentiment improved mid-year after the tariff framework was deferred with smartphones and laptops excluded, easing near-term ASP pressure. The 90-day US-China tariff truce delayed duty hikes beyond the holiday build, improving procurement and pricing visibility. Demand is further lifted by a PC replacement cycle on the launch of Windows 11 and the expansion of AI PC upgrades

### Global PC and smartphone shipment growth



Source: IDC, DBS

across Intel and AMD architecture. While smartphone unit growth remains sluggish, ongoing camera and specifications upgrades will keep supply chains busy in the coming quarters. Shipments are expected to re-accelerate, especially with Apple's first foldable iPhone (Sep 2026) likely to popularise the form factor. These trends point to a modest up-cycle into 2026, spurred by AI-enabled features and Windows upgrades, offsetting trade uncertainties.

**AI infrastructure and content monetisation lead growth.** Recent earnings announcements by key players support our constructive view. Apple delivered a solid June quarter (revenue +10% y/y), though management noted only 1% top-line pull-forward due to tariff anxiety. Lenovo outperformed as AI-server revenue more than doubled. Dell raised its profit outlook driven by a swelling AI server backlog, while Sony posted record 1Q results and lifted its profit guidance on smaller tariff impact. Similarly, components showed early cyclicality, with TDK beating expectations because of small batteries and sensors. In gaming hardware, Nintendo's "Switch 2" launch achieved a 132% y/y revenue jump. Xiaomi maintained its full-year smartphone shipment guidance and stable gross margin across devices.

**AI-device and component upgrade.** We favour beneficiaries in PC refresh/AI leaders and smartphone OEMs. Lenovo's broad portfolio of NB PC models is well placed to monetise the new demand from Windows upgrades and AI PC adoption in 2H25-2026. HP and Dell are also expected to benefit from the rising demand for AI servers. In smartphones, Xiaomi continues to gain market share through ecosystem expansion, while Apple faces near-term earnings headwinds from tariffs and a staggered Siri AI rollout. On the component side, TDK offers leverage to AI-driven specification upgrades in small batteries and sensors.

Table 1:

## Company Commentary

Name	DBS Rating	Target Price	Rationale	Analyst
<b>Apple</b> (AAPL US)	<b>HOLD</b>	USD210.00	<b>Near-term momentum is capped by China softness and heavier tariff burden.</b> Management guides for mid-to-high single-digit y/y revenue growth for 4Q25 with total GM at 46%-47%. China remains the swing factor (iPhone sales down 17% y/y in 2024) until a fuller rollout of on-device Siri AI and meaningful 2025 hardware upgrades (ultra-thin iPhone 17 Air; first foldable in 2026) can re-ignite the replacement cycle. Dominance at the premium end and resilient services underpin the long-term case, but progress in LLMs, tariffs, and FX remains key watchpoints.	Jim Au
<b>Lenovo</b> (0992.HK)	<b>BUY</b>	HKD15.00	<b>Well-positioned for the AI-PC inflection and Windows-11 commercial refresh.</b> AI PC shipments are forecast to surge 93% y/y in FY3/26F and 52% y/y in FY3/27F as Lenovo scales ThinkPad/ThinkBook, Yoga, and IdeaPad AI offerings, while deepening its “Xiaotian” assistant (built with DeepSeek). Management expects PC shipment growth of mid-to-high single digits y/y through FY26, with over 30% share in Windows AI PCs. The China+1 move (Vietnam ramp up in 2H25-1H26) should trim US-tariff exposure and stabilise IDG margins, while robust ISG pipelines and next-gen training systems (2H25), plus TruScale’s capex-to-opex tailwind, underpin a path to structurally higher profitability.	Jim Au
<b>Xiaomi</b> (1810.HK)	<b>BUY</b>	HKD80.00	<b>Xiaomi’s investment case is anchored in scaled AI and premium-smartphone momentum.</b> The company has expanded its AI infrastructure and brought in a core DeepSeek developer to accelerate LLM development and upgrade “Super Xiao AI”, thereby lowering deployment costs and strengthening on-device intelligence. The XM flagship line, powered by most advanced Snapdragon chips, is expected to support further premium-mix uplift. AIOT margins are improving as more production shifts in house; and recent trends point to healthy smartphone and IoT momentum with some margin pressure from component inflation and intensifying competition, while the EV business mix continues to improve. We expect its doubling of R&D expenditure over the next five years to fuel advancements in AI models, semiconductors, and autonomous driving, further narrowing the technology gap with global tech giants.	Jim Au

Source: Bloomberg, DBS  
Data as of 18 Aug 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	HOLD	USD210.00	3,436.9	31.4	0.4	20.5	United States	Jim Au
0992 HK	Lenovo	BUY	HKD15.00	17.2	10.9	3.6	12.4	Hong Kong	Jim Au
1810 HK	Xiaomi	BUY	HKD80.00	175.8	30.1	-	69.5	China	Jim Au
DELL US	Dell	BUY	USD146.40	93.9	14.7	1.4	44.7	United States	Jim Au
HPQ US	HPQ	HOLD	USD28.20	25.1	8.6	4.3	10.1	United States	Jim Au
6758 JP	Sony	BUY	JPY4,650	179.3	24.3	0.5	-6.2	Japan	Jim Au
7974 JP	Nintendo	BUY	JPY17,200	127.0	45.6	0.8	31.9	Japan	Jim Au
6762 JP	TDK	BUY	JPY2,267	25.3	20.8	1.6	4.5	Japan	Jim Au

Source: Bloomberg, DBS  
Data as of 18 Aug 2025

# Content Platforms



**Dylan Cheang**  
Strategist

**Sachin Mittal**  
Analyst

**Daryl Lim, CFA**  
Analyst

**Amanda Tan**  
Analyst



Source: Unsplash

## From scale to stickiness

The SVOD industry offers its users access to entertainment content for a recurring subscription fee. The streaming market is poised to reach USD212bn in 2030, up from USD128bn in 2025, representing a CAGR of 11%. The US is the largest market with a share of c.40%. The industry is oligopolistic, dominated by key players Netflix, Amazon Prime Video, and Disney+ with a combined market share above 50%.

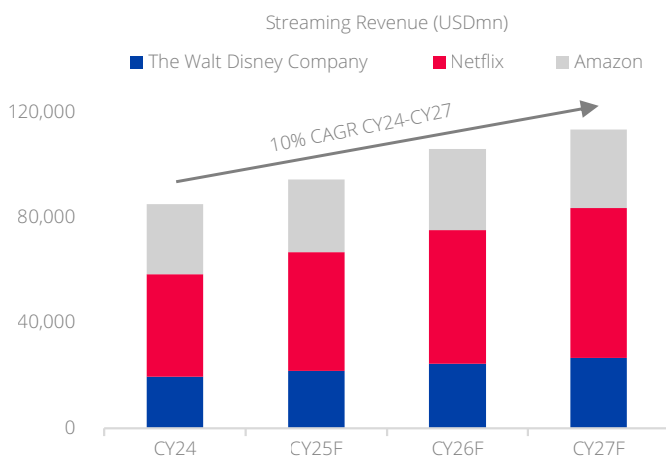
**Engagement replaces subscriber growth as the streaming industry's key battleground.** Amid rising competition, streaming platforms are prioritising formats that drive habitual viewing and retention. Live sports has become a key strategy, anchoring both acquisition and retention. Beyond NFL games and WWE, Netflix also has comedy specials, reflecting a deliberate pivot toward event-driven engagement, with plans to scale live content globally beyond the US. Meanwhile, Disney is leveraging the bundling of ESPN's live sports with Disney+ and Hulu

to reduce churn and boost engagement. These moves reflect an industry-wide pivot toward engagement-led monetisation over pure subscriber growth.

**Streaming businesses delivered in-line results in CY2Q25, reflecting steady execution on margin expansion strategies.** Both Netflix and Disney saw subscriber growth. Netflix added an estimated 5.3mn net subscribers in its 11th consecutive quarter of growth, bringing its global total to c.312mn. Disney+ and Hulu added a combined 2.6mn, reaching 183mn subscribers.

While both companies are expanding their subscriber bases, profitability remains a key differentiator. Netflix reported a 34% operating margin and is expected to maintain structurally higher margins of 27–37% from FY24–28, supported by its first-mover advantage and unmatched scale. In comparison, Disney's DTC segment reported a 6% margin, up from a loss last year. This is driven by pricing, subscriber growth, and lower marketing costs. Consensus expects Disney's DTC margins to rise from 1% in FY24 to 15% by FY28, signaling a narrowing profitability gap with Netflix.

### Netflix to keep its crown even as rivals prosper



Source: Visible Alpha, DBS

**We prefer streaming companies for their stronger growth prospects over legacy media, which faces structural decline as a sunset industry.** Legacy media faces significant headwinds as consumers shift to on-demand and personalised content, weakening traditional linear TV models. A dependence on ad revenue and cable subscriptions makes legacy operators vulnerable amid accelerating cord-cutting and reallocation of advertiser spend toward digital platforms. Conversely, streaming services benefit from scalable direct-to-consumer distribution and diversified monetisation through both subscription and ad-supported tiers. This positions streaming players to capture incremental market share from traditional TV, driving earnings growth.

Table 1:

## Company Commentary

Name	DBS Rating	Target Price	Rationale	Analyst
<b>Netflix</b> (NFLX US)	<b>BUY</b>	USD1,515.00	<b>Netflix remains the global leader in streaming.</b> Netflix remains the global leader in streaming, with unmatched scale, strong pricing power, and operating leverage that support its industry-leading margins of 27–37% between FY24 and FY28. Netflix added an estimated 5.3mn net subscribers, its 11th consecutive quarter of growth, bringing its global base to approximately 312mn, underscoring continued strong engagement with its content. Netflix trades at a forward P/E of 40.0x, +0.3SD above the historical mean.	Sachin Mittal
<b>Walt Disney</b> (DIS US)	<b>BUY</b>	USD135.00	<b>Streaming is a key growth driver for Disney, underpinned by improving unit economics.</b> Disney+ and Hulu subscribers have crossed 183mn as at CY2Q25. Given that DTC operating margins are projected to expand from 1% in FY24 to 15% by FY28F, Entertainment segment operating income is expected to grow at a 17% CAGR over the period, significantly outpacing the Sports and Experiences segments, which are forecasted to grow at CAGRs of 3% and 8%, respectively. Disney's unique business model integrates content creation, streaming, theme parks, and consumer products, creating a powerful ecosystem that reinforces brand loyalty and monetisation across multiple channels. The stock trades at a forward P/E of 17.6x, -0.7SD below the historical mean.	Amanda Tan
<b>Amazon</b> (AMZN US)	<b>BUY</b>	USD255.00	<b>Streaming as a strategic flywheel for e-commerce growth.</b> While streaming contributions are small, Prime Video plays a strategic role as part of a highly integrated ecosystem that drives customer loyalty, engagement, and higher lifetime value. From FY24F to FY28F, subscription and advertising revenue is expected to grow at a CAGR of 13%, outpacing total group revenue growth of 10%. We believe the core e-commerce segment is well-positioned for continued market share gains and margin expansion. Amazon trades at a forward P/E of 30.5x, -1.5SD of the historical mean.	Nashrullah Putra Sulaeman

Source: Bloomberg, DBS  
Data as at 18 Aug 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	USD255.00	2,463.9	27.8	-	46.8	United States	Nashrullah Putra Sulaeman
NFLX US	Netflix	BUY	USD1,515.00	526.5	46.6	-	31.2	United States	Sachin Mittal
DIS US	Walt Disney	BUY	USD135.00	207.5	19.7	0.9	115.4	United States	Amanda Tan

Source: Bloomberg, DBS  
Data as at 18 Aug 2025

# Data Centres



## Ample upside for Chinese operators

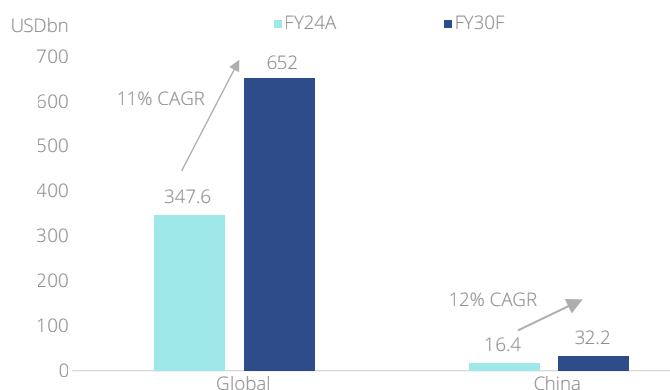
The global data centre market value is projected to grow at an 11% CAGR from now till 2030, reaching USD652bn with the China market projected to expand at 12% CAGR to USD48.4bn over the same period. The two top global players hold about 20% of the global market share, while GDS and VNET are the leading carrier-neutral data centre operators in China.

C-REIT provides a channel for capital recycling and valuation benchmark for Chinese operators. Chinese data centre operators have started to re-rate since the beginning of Jun 2025, supported by increasing visibility on AI chip supply and the launch of the first batch of data centre C-REITs (GDS and Range). C-REITs offer operators a way to unlock value, deleverage, and recycle capital. The IPO valuation of both GDS and Range C-REIT was approximately 19x FY26 EV/EBITDA which we believe will serve as a valuation benchmark

for the industry. The two data centres in C-REIT are mature assets which exhibit stable growth, suggesting its valuation should act as a floor rather than a ceiling for other operators in China. As such, we see ample room for GDS and VNET to re-rate from the current forward EV/EBITDA valuations of 16x (GDS) and 9x (VNET), given the improving sector outlook.

**Latest quarterly results of Chinese and US operators exceeded market expectations.** Digital Realty posted 13% y/y growth in adjusted EBITDA in 2Q25, while Equinix delivered 9% growth during the same period. GDS and VNET recorded 16% and 26% y/y growth in adjusted EBITDA in 1Q25, also beating consensus estimates. This reflects robust demand for data centre capacity, both globally and in China on enterprise AI development. Based on the latest company guidance, Chinese and US operators expect to see 10–16% and 10–11% growth in adjusted EBITDA in FY25F respectively.

### Data centre market size



Source: Horizon Grand View Research, DBS

**Prefer Chinese data centre operators for more upside.** Digital Realty's share prices are down c.5% YTD due to investor concerns over elevated AI-related capital expenditures. However, we remain positive on their long-term growth prospect and prefer Chinese operators as we see greater upside from their valuation discount (9–16x forward adjusted EV/EBITDA vs 20–22x for US operators), even after a 43–69% share price surge YTD. The launch of the first data centre C-REIT will help Chinese operators gradually deleverage in the coming years. We expect Chinese data centre operators to secure more sizeable order wins from hyperscaler customers in 2H25, fuelling growth for the coming years.

Table 1:

## Company Commentary

Name	DBS Rating	Target Price	Rationale	Analyst
<b>VNET</b> (VNET US)	<b>BUY</b>	USD12.50	<b>Visible high-growth AI play.</b> VNET operates exclusively within China. While it initially focused on the retail IDC segment, the company has recently accelerated its transformation into the wholesale business. This shift has gained strong traction with wholesale revenue rising 86% y/y during 1Q25, accounting for 30% of total revenue. The company plans to double its capex in FY25F to RMB10-12bn—double that of major peers—supporting market share gains. We maintain BUY for its higher-than-peers growth profile. The stock offers a 22% adjusted EBITDA CAGR over FY24-27F and is trading at c.9x FY24F EV/adjusted EBITDA.	Andy Yu
<b>GDS</b> (9698 HK)	<b>BUY</b>	HKD40.00	<b>Deleveraging on track to sustain growth.</b> GDS is the largest carrier-neutral data centre player in China. It mainly serves fast-growing internet giants such as Alibaba and Tencent. We expect GDS to deliver capacity growth of 14% y/y, reaching 698,000sqm in terms of total area in service by FY25. Net debt/adjusted EBITDA ratio is expected to drop to 6.5x at end-FY25 (from 7.2x at end-FY24) in view of recent ABS transaction and launch of data centre C-REITs. We maintain BUY as it is in a good position to capture an expected surge in inferencing demand in China. The stock offers an 12% adjusted EBITDA CAGR over FY24-27F and is trading at c.16x forward EV/adjusted EBITDA.	Andy Yu
<b>Digital Realty</b> (DLR US)	<b>BUY</b>	USD213.00	<b>Solid global pipelines to fuel growth.</b> Digital Realty is the second largest data centre provider in the world. Its portfolio comprises over 300 data centres spread across 25+ countries worldwide. The company has c.2,800MW of total capacity in place and 3,500MW+ buildable IT capacity. The company boasts one of the most interconnected ecosystems, serving over 5,000 customers and facilitating more than 200,000 total interconnections. The stock offers a 11% adjusted EBITDA CAGR over FY24-27F and is trading at c.22x forward EV/adjusted EBITDA.	Andy Yu

Source: DBS  
Data as at 13 Aug 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
DLR US	Digital Realty	BUY	USD213.00	58.0	45.1	2.9	112.5	United States	Andy Yu
9698 HK	GDS	BUY	HKD40.00	6.5	305.8	-	-	Hong Kong	Andy Yu
VNET US	Vnet	BUY	USD12.50	2.1	725.0	-	-88.3	China	Andy Yu

Source: Bloomberg, DBS  
Data as at 18 Aug 2025

**Mixed messaging at Jackson Hole this year is leaving watchers hesitant – while Fed Chair Powell signalled dovish, policymakers remain divided on the easing outlook due to stubborn inflation and a difficult geopolitical environment.**



# **CROSS-CURRENTS**

Source: Unsplash



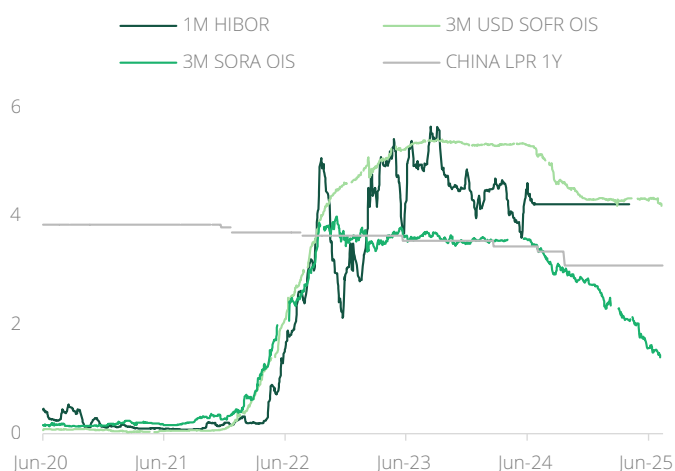
Source: Unsplash

## Navigating impending rate cuts

**Global banks' net interest income reached a decade high of USD5.4tn in 2023 on the back of higher interest rates and is expected to grow at 4.9% CAGR from 2025 to 2028.**

**Calmer markets post "Liberation Day".** We see 50 bps of cuts in 2H25 to 4% and another 50 bps in 1H26 to a US terminal rate of 3.50% for the cycle. Our 2025 forecast aligns with the Fed's dot plot, though slightly more dovish for 2026, assuming a minor slowdown that enables the Fed to normalise rates lower. Lower benchmark interest rates in 2H25F are likely to weigh on NII in Singapore and Hong Kong banks. Large-cap US banks continue to see improvement from fixed-rate repricing and loan and deposit growth which should drive 2H25F NII growth further, except WFC. China banks continue to face downward NIM pressures due to China's loosening monetary policies.

### Interest rates



Source: Bloomberg, DBS

**2Q25 results mixed across banks.** JP Morgan, Citigroup, and Bank of America's 2Q25 net profit all surpassed street expectations, driven by strong investment banking fees amid robust NII. Singapore banks were largely in-line, except UOB which was impacted by higher allowances from a US CRE exposure. HK banks' 2Q25 results missed due to asset quality deterioration. In 2Q25, Hang Seng Bank surprised markets with escalated ECLs on their HK CRE exposure. Still, HK banks delivered strong fee income growth in 1H25, expected to continue in 2H25. For China banks, we expect 2Q25 earnings to be broadly in line, with flattish y/y earnings growth following a weak 1Q25, as retail asset quality and NIM pressures persist.

### Watch for macroeconomic risks and CRE exposures.

US inflation remains subdued, though tariff passthrough may only impact consumer tariffs sequentially amid weakening non-farm payrolls. The credit environment for US banks remains largely benign. First-order impact on Singapore and Hong Kong banks from higher tariffs appear to be minimal for now. Despite a lower interest rate environment, the oversupply and rental pressure of office and retail property remain a key concern for Hong Kong banks as ECLs are likely to remain elevated into 2H25 with no imminent turnaround in asset quality. We remain watchful over Singapore banks' exposures to US and Hong Kong CRE in the meantime.

**Dividend yields continue to be in play.** Dividend yields across Singapore, Hong Kong, and China banks remain in the spotlight amid a lower yielding environment, offering attractive dividend yields between 4-8%. Valuations continue to be undemanding for China, Hong Kong, and Singapore banks, especially for China banks which are trading at c.0.5-0.6x forward P/B.

Table 1:

## Company Commentary

Name	DBS Rating	Target Price	Rationale	Analyst
<b>CMB</b> (3968 HK)	<b>BUY</b>	HKD56.50	<b>Benefitting from the leading position in WM business.</b> As of the end of FY24, CMB's retail AUM reached CNY14.93tn, rising 12% y/y, with the bank maintaining its leading market share in WM products. Despite a c.14% y/y decrease in fee income in FY24, we anticipate positive y/y growth for CMB in FY25F. This positive outlook reflects the waning end of y/y impact of fee rate cuts and a more active Chinese capital market YTD, supporting both fee income and the WM business.	Lu Manyi
<b>CCB</b> (939 HK)	<b>BUY</b>	HKD9.10	<b>Resilient risk profile.</b> Despite facing revenue and earnings pressure in 1Q25, CCB's risk indicators remain resilient. The NPL ratio dropped by 1 bps q/q to 1.33% by end 1Q25 while NPL coverage ratio increased by 3.2 %pts q/q to 236.8%, the highest increase among major China banks, most of which reduced their coverage. Meanwhile, new NPL formation in the retail and inclusive finance segments is declining q/q.	Lu Manyi
<b>Citi</b> (C US)	<b>BUY</b>	USD100.00	<b>Robust outlook, ongoing ROE rerating; Banamex IPO a positive catalyst.</b> 2Q25 earnings of USD4.0bn (+25% y/y, -1% q/q) beat expectations, underpinned by strong investment banking and trading performance across fixed income and equities. Management continues to undertake strategic restructuring, including an upcoming Banamex IPO which will be a positive catalyst. Citi has repurchased USD3.75bn YTD, including USD2.0bn in 2Q25 with management committing to a higher-than-expected share buyback of USD4bn during 3Q25 as management continues to return capital to enhance shareholder value.	Lim Rui Wen

Source: Bloomberg, DBS  
Data as at 18 Aug 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
601939 CH	China Con.Bank 'A'	BUY	CNY10.00	266.7	7.0	4.5	0.5	China	Manyi Lu
601988 CH	Bank Of China 'A'	BUY	CNY6.40	228.5	7.3	4.5	0.1	China	Manyi Lu
601288 CH	Agricultural Bank Of China 'A'	BUY	CNY6.20	325.6	8.8	3.7	3.5	China	Manyi Lu
601328 CH	Bank Of Comms.'A'	BUY	CNY8.40	85.9	6.7	5.3	-4.6	China	Manyi Lu
600036 CH	China Merchants Bank 'A'	BUY	CNY51.20	153.0	7.4	4.6	-0.4	China	Manyi Lu
601998 CH	China Citic Bank 'A'	BUY	CNY9.80	59.6	6.7	4.3	-1.6	China	Manyi Lu
601658 CH	Postal Savings Bank Of China 'A'	BUY	CNY6.40	98.0	7.6	3.8	-2.5	China	Manyi Lu
000001 CH	Ping An Bank 'A'	BUY	CNY13.60	32.6	5.6	6.0	-7.4	China	Manyi Lu
939 HK	China Construction Bank	BUY	HKD9.10	266.7	5.5	5.6	-1.5	China	Manyi Lu
3988 HK	Bank of China	BUY	HKD5.30	228.5	5.5	5.8	-1.6	China	Manyi Lu
1288 HK	Agricultural Bank of China	BUY	HKD6.00	325.6	6.6	4.8	0.9	China	Manyi Lu
3328 HK	Bank of Communications	BUY	HKD8.00	85.9	5.9	6.1	-7.7	China	Manyi Lu
3968 HK	China Merchants Bank	BUY	HKD56.50	153.0	7.8	4.5	-1.0	China	Manyi Lu
998 HK	China Citic Bank 'H'	BUY	HKD8.90	59.5	5.5	5.2	0.2	China	Manyi Lu
1658 HK	PSBC	BUY	HKD6.30	98.0	6.7	4.3	-5.1	China	Manyi Lu
11 HK	Hang Seng Bank	HOLD	HKD108.00	27.3	15.9	6.2	-26.6	Hong Kong	Manyi Lu
2388 HK	Bank of China Hong Kong	BUY	HKD36.00	48.9	10.0	7.8	-0.1	Hong Kong	Manyi Lu
5 HK	HSBC	BUY	HKD98.70	222.6	9.5	5.1	7.8	Hong Kong	Manyi Lu
OCBC SP	OCBC	HOLD	SGD15.80	59.2	10.6	5.8	-4.6	Singapore	Rui Wen Lim
UOB SP	UOB	HOLD	SGD33.90	45.7	10.4	6.4	-4.1	Singapore	Rui Wen Lim
BMRI IJ	Bank Mandiri	HOLD	IDR3,900.00	28.0	8.2	9.6	-0.8	Indonesia	Rui Wen Lim
BBNI IJ	Bank Negara Indonesia	HOLD	IDR3,800.00	10.1	7.7	8.6	-1.9	Indonesia	Rui Wen Lim
BBCA IJ	Bank Central Asia	BUY	IDR12,000.00	66.3	18.4	3.4	6.0	Indonesia	Rui Wen Lim
BBRI IJ	Bank Rakyat Indonesia	HOLD	IDR3,600.00	38.6	10.9	8.3	-5.1	Indonesia	Rui Wen Lim
ARTO IJ	Bank Jago Indonesia	BUY	IDR2,500.00	1.9	103.0	-	128.3	Indonesia	Rui Wen Lim

Source: Bloomberg, DBS  
Data as at 18 Aug 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
BBTN IJ	Bank Tabungan Negara	FULLY VALUED	IDR800.00	1.1	5.3	4.2	11.9	Indonesia	Rui Wen Lim
BBL TB	Bangkok Bank	BUY	THB196.00	9.0	6.7	5.0	-2.8	Thailand	Thaninee Satirareungchai
KBANK TB	Kasikorn Bank	HOLD	THB175.00	12.3	8.3	6.4	-0.2	Thailand	Thaninee Satirareungchai
KKP TB	Kiatnakin Phatra Bank	HOLD	THB57.00	1.4	9.8	6.3	-3.3	Thailand	Thaninee Satirareungchai
KTB TB	Krung Thai Bank	BUY	THB25.50	10.5	7.8	5.7	0.4	Thailand	Thaninee Satirareungchai
SCB TB	SCB X PCL	BUY	THB135.00	13.6	9.9	7.2	1.9	Thailand	Thaninee Satirareungchai
TISCO TB	Tisco Financial	HOLD	THB108.00	2.5	12.5	6.9	-6.6	Thailand	Thaninee Satirareungchai
TTB TB	Tmbthanachart Bank	BUY	THB2.22	5.7	9.3	6.0	-5.0	Thailand	Thaninee Satirareungchai
WFC US	Wells Fargo & Co	BUY	USD88.00	247.0	12.9	2.1	10.3	United States	Rui Wen Lim
C US	Citi	BUY	USD100.00	172.5	12.3	2.4	26.3	United States	Rui Wen Lim
BAC US	Bank of America	BUY	USD52.00	347.7	12.8	2.2	12.6	United States	Rui Wen Lim
JPM US	JPMorgan	HOLD	USD290.00	798.8	14.8	1.8	-0.9	United States	Rui Wen Lim
GS US	Goldman Sachs	BUY	USD800.00	229.6	15.7	1.6	12.7	United States	Ken Shih
MS US	Morgan Stanley	BUY	USD156.00	230.9	16.2	2.6	10.7	United States	Ken Shih
SCHW US	Charles Schwab	BUY	USD110.00	179.4	20.7	1.1	54.4	United States	Ken Shih
8411 JP	Mizuho	BUY	JPY5,100	84.7	11.9	2.8	19.4	Japan	Rui Wen Lim
8316 JP	Sumitomo Mitsui	BUY	JPY4,400	112.6	12.1	2.9	16.6	Japan	Rui Wen Lim
8306 JP	Mitsubishi UFJ	BUY	JPY2,300	194.6	13.3	2.7	11.5	Japan	Rui Wen Lim
INGA NA	ING Groep	BUY	EUR21.40	75.3	10.9	5.7	-1.3	Netherlands	Thaninee Satirareungchai
BNP FP	BNP Paribas	BUY	EUR97.00	110.8	8.2	5.7	-1.2	France	Thaninee Satirareungchai

Source: Bloomberg, DBS  
Data as at 18 Aug 2025



Source: Unsplash

## Resilience in the world's largest consumer market

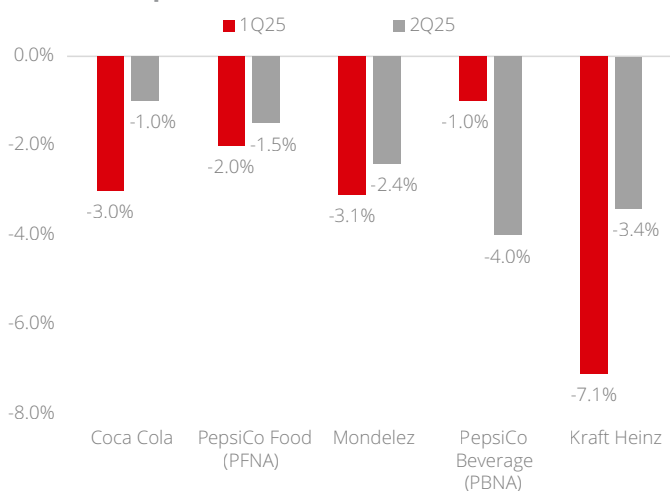
The global packaged F&B industry comprising of beverages and convenient foods, amongst others, generated retail sales of USD1.3tn in 2023. The sector is projected to grow at a 5% CAGR to USD1.7tn by 2028. It is a relatively diversified industry with its top three players, Nestle, PepsiCo, and Coca-Cola, accounting for an estimated 19% market share.

**2Q25 review: Solid earnings beat, but overall volume growth remains elusive.** Most companies we cover continued to post y/y increases in organic growth with the exception of Kraft Heinz which remained in sequential decline. Growth remains largely pricing-driven, though Kraft Heinz recorded only a modest +0.7% pricing effect

in 2Q25 due to its below-inflation pricing strategy, aimed at recovering volume. In contrast, Mondelez stood out with a +7.1% pricing effect as it gradually passed on cocoa costs which have more than doubled since early 2024 to c.USD8k/ton. On the volume front, North America remained weak with most companies reporting declines of -4% to -1%. Coca-Cola delivered the strongest volume performance among peers with a relatively modest -1% drop, while Pepsi's beverage segment recorded the sharpest decline at -4%.

**Full-year organic growth guidance maintained with YTD trends broadly in line, EPS guidance was more upbeat.** Mondelez struck a more cautious outlook for 2H25, given consumer uncertainty, full tariff impact, and possible inflation resurgence. Despite this, it maintained its EPS guidance. On the other hand, Pepsi and Coca-Cola both raised EPS guidance in USD terms, supported by a weaker USD. While acknowledging that tariffs will elevate costs, both have already implemented mitigation measures to contain the impact. Kraft Heinz was the only company to quantify the tariff impact at 100 bps in FY25 and projected an annualised impact of 180 bps if tariff policies persist.

### Overview of organic volume performance of North American operations



Source: Companies, DBS  
As at 6 Aug 2025

**Preference for volume resilient players in the US.** While companies under our coverage have geographically diversified operations, the US remains one of the more lucrative markets and a key focus for investors. We see greater defensiveness in those able to sustain resilient volumes amid a softening consumer backdrop as they are better positioned to navigate any further deterioration in sentiment and preserve earnings momentum.

Table 1:

## Company Commentary

Name	DBS Rating	Target Price	Rationale	Analyst
<b>Coca-Cola</b> (KO US)	<b>BUY</b>	USD83.00	<b>Resilient North American volume and potential volume acceleration in 2H25.</b> Though 1H25 North American volume has declined 2%, the trend is improving with 2Q25 at -1% vs -3% in 1Q25. In addition, strong 1H25 profit growth provides room to reinvest in marketing, positioning the company to drive further volume recovery in 2H25.	Chee Zheng Feng
<b>Mondelez</b> (MDLZ US)	<b>BUY</b>	USD77.00	<b>Despite a cautious US outlook, North American volume trend and stabilising cocoa price are promising.</b> Volume declines are moderating, improving from -3.1% in 1Q25 to -2.4% in 2Q25. Cocoa prices have stabilised, and management sees improving demand-supply dynamics, supporting growing optimism for a potential turnaround in FY26.	Chee Zheng Feng
<b>Pepsi</b> (PEPUS)	<b>HOLD</b>	USD145.00	<b>Positive early signs of recovery, but more confirmation is required.</b> Management targets 70% more productivity savings in 2H25 from PepsiCo Food rightsizing and is advancing the One North America initiative to streamline operations. Though PepsiCo Food's volume declines are slowing, we remain neutral and await sequential volume growth amid a volatile consumer backdrop before adopting a more constructive stance.	Chee Zheng Feng
<b>Kraft Heinz</b> (KHC US)	<b>HOLD</b>	USD29.00	<b>Volume growth remains elusive; more clarity required for value-unlocking corporate action.</b> Kraft Heinz plans its highest marketing spend in a decade to revive North American volumes which fell 3.4% in 2Q25. While encouraging, peers are also ramping up investment. We remain cautious, pending clearer volume stabilisation and greater visibility on corporate plans.	Chee Zheng Feng

Source: DBS  
Data as at 18 Aug 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	USD83.00	300.9	23.4	2.8	20.8	United States	Zheng Feng Chee
PEP US	Pepsi	HOLD	USD145.00	205.9	18.7	3.6	15.1	United States	Zheng Feng Chee
MDLZ US	Mondelez	BUY	USD77.00	80.3	20.5	3.0	-12.1	United States	Zheng Feng Chee
KHC US	Kraft Heinz	HOLD	USD29.00	32.8	10.6	5.8	14.5	United States	Zheng Feng Chee
2802 JP	Ajinomoto	BUY	JPY4,500	27.3	31.1	1.0	84.3	Japan	Zheng Feng Chee
322 HK	Tingyi	BUY	HKD14.10	8.0	13.6	6.5	13.3	China	Alison Fok
220 HK	Uni-President	BUY	HKD12.30	5.4	17.2	4.8	21.5	China	Alison Fok
ICBP IJ	Indofood CBP	BUY	IDR14,300.00	7.1	11.6	2.5	41.0	Indonesia	Andy Sim
INDF IJ	Indofood Sukses	BUY	IDR9,700.00	4.4	6.4	3.5	28.8	Indonesia	Andy Sim
MYOR IJ	Mayora Indah	BUY	IDR2,700.00	3.0	16.6	2.5	-1.0	Indonesia	Andy Sim

Source: Bloomberg, DBS  
Data as at 18 Aug 2025

# Healthcare Equipment

**Goh Jun Yong**  
Strategist

**Nico Chen**  
Analyst

**Mark Kong**  
Analyst



## Paradigm shift underway

The medical imaging equipment industry includes a variety of systems such as X-ray, CT, and MRI. It was valued at USD46bn globally in 2024 with industry sales growth projected to slow down from annual growth of 7.2% in 2021-24 to 5-7% in 2025-30. The US, Europe, and China comprised 35%, 25%, and 8% of the global market respectively with top players including Siemens Healthineers, GE healthcare, and Philips healthcare.

**Paradigm shifting technology: PCCT.** While traditional CT scanners measure total energy deposited, PCCTs count individual X-ray photons and their energy levels, leading to enhanced imaging performance. This reduces radiation dose and noise by 50%, thus yielding clearer images. Siemens Healthineers has been the pioneer of this technology with the first FDA-approved PCCT launched in 2021. Most conventional CTs are expected to be replaced by PCCTs within the next 10 years. Moreover, PCCTs produce over 5x more data than conventional CTs, allowing for more data for training algorithms. In 2026, GE Healthcare is expected to be the next company to launch a PCCT, bringing in competitive pricing pressure.

### Rising of geopolitical tensions may bring headwinds.

Medical equipment has been in the headlines, not only with the Trump administration slapping on additional tariffs onto medical equipment from other countries, but also due to a dispute between the EU and China. In Jun 2025, EU countries banned Chinese medical device makers from participating in public procurement contracts worth over EUR5mn for the next five years due to “unfair practices” of domestic substitution. China did the same in Jul 2025, prohibiting EU enterprises from participating in public procurement contracts worth over RMB45mn.

### We favour PCCT makers to ride on the paradigm shift.

PCCT makers are less likely to be affected by tariffs as they hold a technological edge over conventional CTs. These PCCTs are sold at premiums over high-end CTs while having similar production costs, thus bringing in higher margins. PCCT makers with earlier launches may benefit from first-mover advantage, achieve rapid penetration into hospitals previously serviced by peers, and see rapid revenue growth.

### Major medical imaging players – PCCT pipeline

Company	Global CT Market Share	Launch Status
Siemens Healthineers	34%	Launched, FDA approved in 2021
GE Healthcare	28%	Expected launch in 2026
Canon Medical Systems	17%	Expected launch in 2027
Philips Healthcare	9%	Expected launch in 2028
United Imaging	6%	Not announced

Source: Companies, DBS

Table 1:

## Company Commentary

Name	DBS Rating	Target Price	Rationale	Analyst
<b>Siemens Healthineers</b> (SHL GR)	<b>BUY</b>	EUR59.00	<b>Innovative PCCT to disrupt the market.</b> Siemens Healthineers is the largest medical imaging company by market share. Imaging comprises over 50% of its revenue; 45% of its revenue comes from the US. Siemens Healthineers experienced revenue growth CAGR of 7.5% from 2021 to 2024 and net profit CAGR of 4.0% in the same period.	Nico Chen
<b>GE Healthcare</b> (GEHC US)	<b>BUY</b>	USD90.00	<b>Positioned to be the next PCCT player.</b> GE Healthcare is one of the top three medical imaging companies globally in terms of size. It generates c.70% of its revenue from imaging systems. Its pipeline includes a PCCT which is expected to launch in 2026. 44% and 11% of its revenue comes from the US and China respectively. GE Healthcare experienced revenue growth CAGR of 4.0% from 2021 to 2024.	Nico Chen

Source: Bloomberg, DBS  
Data as at 18 Aug 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
SHL GR	Siemens Healthineers	BUY	EUR59.00	61.9	19.3	2.0	39.3	United States	Nico Chen
GEHC US	GE Healthcare	BUY	USD90.00	33.5	16.3	0.2	2.9	United States	Nico Chen
LLY US	Eli Lilly	BUY	USD900.00	663.7	31.1	0.8	91.8	United States	Nico Chen
JNJ US	Johnson & Johnson	HOLD	USD160.00	425.4	16.3	2.8	85.7	United States	Nico Chen
ABBV US	AbbVie	HOLD	USD188.00	365.1	17.3	3.1	398.0	United States	Nico Chen
MRK US	Merck	BUY	USD96.00	210.3	9.4	3.8	31.9	United States	Nico Chen
AMGN US	Amgen	BUY	USD365.00	159.6	14.1	3.1	176.3	United States	Nico Chen
PFE US	Pfizer	BUY	USD30.00	142.9	8.1	6.8	117.5	United States	Nico Chen
SNY US	Sanofi	BUY	USD66.00	122.2	10.9	3.6	-	France	Nico Chen
VRTX US	Vertex	BUY	USD600.00	100.7	21.9	-	963.6	United States	Nico Chen
GILD US	Gilead	BUY	USD140.00	146.9	14.6	2.6	2,027.6	United States	Nico Chen
REGN US	Regeneron	BUY	USD760.00	61.5	14.7	0.3	-3.5	United States	Nico Chen
MRNA US	Moderna	HOLD	USD25.00	10.9	-	-	-4.8	United States	Nico Chen
LONN SW	Lonza	BUY	CHF710.00	48.3	33.4	0.4	85.6	Switzerland	Nico Chen

Source: Bloomberg, DBS  
Data as at 18 Aug 2025



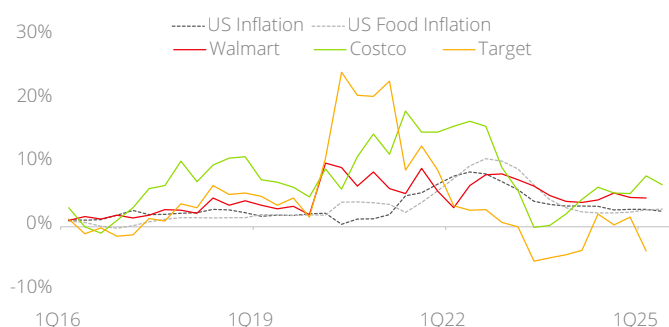
## Grocery gains amid inflationary pressures

The grocery retail industry's total revenue reached USD8.1tn globally in 2024 and is expected to grow at a CAGR of 4.5% to USD10.1tn by 2029F. The US and China represent the largest markets, with market shares of 22% and 17% respectively. A highly fragmented industry, the top three players—Walmart, Schwarz, and Costco—only account for 11% globally.

**Inflation concerns.** US inflation rose to 2.7% y/y in July, with food and beverage prices up 2.8%. Trump's decision to pause higher retaliatory tariffs until 1 Aug, keeping most at 10%, and ongoing China talks have kept price pressures contained. However, new tariffs targeting Japan (25%), South Korea (25%), and Canada (35%) could introduce upside risk to input costs. US inflation is now projected at 3.0%/3.1% for 3Q/4Q25F.

The 30% tariff on Chinese goods remains a key risk, with the pause on further hikes extended for 90 days to 9 Nov, as markets await clarity on a potential trade deal. Apparel, toys, and home goods are among the

### Quarterly comparable sales growth of selected players vs US inflation



Source: Company data, DBS

Note: Walmart and Costco figures reflect comparable sales growth in the US

most affected segments. Weaker July payroll growth and slowing job creation have raised expectations for two 25 bps Fed cuts by 2H25, which could fuel additional inflationary pressure.

**Grocery momentum drives outperformance.** Walmart and Costco beat expectations last quarter, with SSSG of 4.8% and 5.7% respectively. Results were underpinned by strong grocery demand, with Costco seeing a 10% rise in membership fees. In contrast, Target missed expectations, posting a 3.8% decline as weak discretionary demand and headwinds from DEI rollbacks weighed on sales. Consumer behaviour remained broadly stable, though February saw a pullback, attributed to cold weather as well as tariff and immigration concerns. The shift towards food over general merchandise continues to boost grocery-led retailers while weighing on non-food categories.

**Grocery strengths continue.** Inflation continues to favour grocery-heavy retailers like Walmart and Costco, as dining-out prices rose 3.8% y/y in 7M25, outpacing a 2.1% increase for food at home. Both retailers are gaining market share from more affluent shoppers seeking value. Walmart's "Bettergoods" private brand, launched about a year ago with c.400 items, has already generated c.USD0.5bn in sales and boast a 40% repeat rate. Target is also stepping up on affordable, on-trend offerings through its "Bullseye's Playground" section, featuring items at USD1–5. To mitigate tariff impacts, major players have kept China sourcing to below one-third of supply chains. Meanwhile, e-commerce remains a key growth engine, as consumers are willing to pay premiums for faster delivery, supporting Walmart's expansion in high-margin advertising. Overall, we favour retailers with strong grocery presence and value-led positioning.

Table 1:

## Company Commentary

Name	DBS Rating	Target Price	Rationale	Analyst
<b>Walmart</b> (WMT US)	<b>BUY</b>	USD120.00	<b>Gaining shares from higher-income households.</b> Walmart's strong supply chain continues to draw higher-income shoppers amid cautious US consumer sentiment, while international markets such as India and China present solid growth opportunities. Sam's Club plans to accelerate to 15 new store openings annually over the next 8–10 years, aiming to double its membership base. Meanwhile, robust e-commerce growth underpins Walmart's omni-channel strategy, unlocking additional revenue from advertising and marketplace operations.	Clement Xu
<b>Costco</b> (COST US)	<b>BUY</b>	USD1,195.00	<b>Strong membership and store expansion.</b> The 8.3% membership fee hike effective Sep 2024 in the US and Canada should gradually support revenue growth over the next one to two years (3Q FY25 membership fee income up 10% y/y). Global membership is expected to grow at a 5%+ CAGR over the same period, driven by a renewal rate above 90% worldwide and the planned opening of 25+ new stores annually over the medium term.	Clement Xu
<b>Target</b> (TGT US)	<b>BUY</b>	USD135.00	<b>Margin expansion ahead.</b> While discretionary demand remains soft, Target is investing in store remodels, opening c.20 new stores in 2025, and enhancing its "stores-as-hubs" model to strengthen both in-store and digital fulfillment. Margins should benefit from fewer markdowns, lower freight costs, and a richer mix from high-margin beauty, which continues to outpace the market and gain share. These factors are expected to support EBIT margin recovery towards c.6% in the coming quarters.	Clement Xu

Source: Bloomberg, DBS  
Date as at 18 Aug 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	USD120.00	798.0	38.3	0.9	7.9	United States	Clement Xu
COST US	Costco	BUY	USD1,195.00	431.1	53.6	0.5	9.3	United States	Clement Xu
TGT US	Target	BUY	USD135.00	46.8	14.1	4.4	-17.7	United States	Clement XU
DFI SP	DFI Retail	BUY	USD4.30	4.9	18.6	2.9	206.2	Singapore	Zheng Feng Chee
6808 HK	Sun Art Retail	HOLD	HKD2.15	2.9	27.2	8.1	97.5	China	Clement Xu
SSG SP	Sheng Siong	BUY	SGD2.30	2.5	21.1	3.1	8.2	Singapore	Zheng Feng Chee

Source: Bloomberg, DBS  
Data as at 18 Aug 2025



## Resilient growth ahead

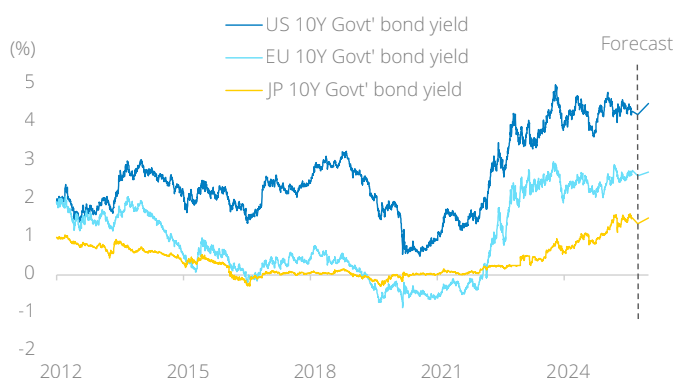
**The insurance industry is broadly split into life and non-life segments with penetration still low in many emerging Asian markets. Global premium growth is expected to reach a 2.6% CAGR in FY24-26F, driven by a 5.5% CAGR from emerging markets. The US and China are the two largest markets, accounting for 46% and 11% of global premium market share, respectively.**

**Strong operating performance with high ROE expected in FY25F.** Easing inflation trends, coupled with high sustained US rates, are supporting reinvestment yields. Meanwhile, easing US-China tariff tensions have improved investor sentiment, contributing to positive YTD equity market returns and creating a supportive backdrop to insurers' investment performance. European and Hong Kong-listed regional insurers are also benefitting from USD weakness which enhances translated profits and asset valuations. In contrast, Japanese insurers, due to their significant exposure to USD-denominated overseas subsidiaries, face FX pressure. Chinese insurers,

while maintaining stable VNB growth, continue to face reinvestment headwinds amid lower long-end domestic bond yields (<2%) which could temper net profit growth in FY25F.

**Strong VNB growth for Asia insurers despite a higher base.** Chinese and regional Asian insurers reported VNB growths of 5%-39% y/y in 1Q25, driven by higher VNB margins from improved bancassurance margin in China. EU life insurers also posted mid- to high-single-digit VNB growth, supported by improved product margin and steady new business inflows. On the non-life side, Nat Cat losses were relatively contained in 1H25 with insurers remaining conservative, reserving to prepare for natural disasters in 2H25F. Supported by strong capital market returns and improved underwriting performance, we expect EU insurers to deliver high-single-digit EPS growth in FY25F. However, EPS growth for Japanese and Chinese insurers may be more muted due to the FX drag for Japanese insurers and persistent reinvestment yield pressure for Chinese insurers, alongside a high base effect from FY24.

### US/EU/JP 10-year government bond historical yield and DBS forecasts



Source: Bloomberg, DBS

**Risk-reward profile attractive.** Capital management remains a key focus for insurers in FY25F with continued emphasis on regular dividend payout and opportunistic share buybacks. We maintain a constructive view on Chinese and broader Asian regional insurers, underpinned by (i) manageable negative spreads and stable solvency positions, supported by ample buffers, (ii) potential for continued VNB margin expansion into FY25F, and (iii) attractive valuations compared to global peers. Despite geopolitical uncertainty and mixed interest rate trajectories globally, we believe the supportive capital market backdrop, prudent reserve levels, and disciplined capital return policies offer a favourable setup for selective re-rating within the sector.

Table 1:

## Company Commentary

Name	DBS Rating	Target Price	Rationale	Analyst
<b>AIA</b> (1299 HK)	<b>BUY</b>	HKD100.00	<b>Riding on structural opportunities in Asia.</b> 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 strong VNB growth in FY25F are expected to serve as share price catalysts.	Ken Shih
<b>Ping An</b> (2318 HK)	<b>BUY</b>	HKD69.00	<b>Attractive dividend yield and strong VNB momentum.</b> Ping An offers the highest dividend yield among Chinese insurance space at >5% with strong VNB momentum from its bancassurance channel. It has the lowest COL (2.2%) and widest interest spreads, supporting superior profitability. We expect continued growth in contractual service margin and stable DPS, reinforcing an attractive risk-reward profile.	Ken Shih
<b>AXA</b> (CS FP)	<b>BUY</b>	EUR47.00	<b>Priority on underwriting profit, shifting to capital-light business.</b> 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 insurers' portfolios. Hence, we expect AXA's operating EPS to grow by a high-single-digit rate in FY25F.	Ken Shih

Source: Bloomberg, DBS  
Data as at 18 Aug 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	100.6	14.4	2.3	7.5	Hong Kong	Ken Shih
945 HK	Manulife	BUY	HKD276.50	52.2	10.7	3.9	38.2	Canada	Ken Shih
2318 HK	Ping An	BUY	HKD69.00	144.4	7.4	4.8	-0.3	China	Ken Shih
2628 HK	China Life	BUY	HKD26.00	145.8	7.2	4.0	-18.0	China	Ken Shih
2328 HK	PICC Property & Casualty	HOLD	HKD15.40	52.1	10.1	3.2	14.9	China	Ken Shih
6060 HK	Zhongan Online P&C Insurance	BUY	HKD24.00	4.1	26.7	-	59.5	China	Ken Shih
ALV GY	Allianz	FULLY VALUED	EUR315.00	170.6	13.5	4.1	8.9	Germany	Ken Shih
CS FP	AXA	BUY	EUR47.00	110.1	10.8	5.0	14.8	France	Ken Shih
8766 JP	Tokio Marine	BUY	JPY7,000	87.3	12.6	2.6	-3.1	Japan	Ken Shih

Source: Bloomberg, DBS  
Data as at 18 Aug 2025



# Cracks Showing

Tariff politicking might smell of showmanship, but its effects have proven to be very real.

Corporate America is already starting to feel the pressures of eroding margins; although the real pain begins if or when consumers start to capitulate.



## Look beyond near-term trade headwinds

The global express market covers domestic and international B2B and B2C deliveries, enabling fast and reliable movement of goods. It is projected to grow at a 7.9% CAGR from 2025F-2029F, reaching USD851bn in 2029F. Asia Pacific (45%), North America (33%), and Europe (17%) form the largest markets. Revenue leadership remains concentrated among a few global players, with UPS, FedEx, and DHL holding dominant positions.

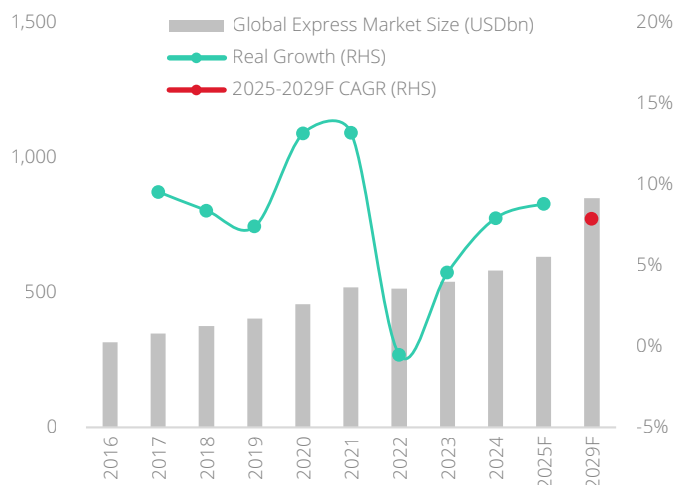
**Flourishing e-commerce sector underpinned robust growth in the global express market.** The shift towards online shopping has significantly accelerated the expansion of B2C deliveries, surpassing B2B volumes in 2019. This trend is projected to continue, with B2C deliveries projected to capture 70% of the global market by 2029F, reflecting a robust CAGR of 10.8% from 2025F to 2029F. In contrast, the B2B segment is relatively sluggish, with a modest 2.5% CAGR. Moreover, the domestic express market is demonstrating resilience, with a forecasted CAGR

of 8.0% (2025F-2029F), slightly outperforming the international market's projected 7.4% CAGR.

**2Q25 results were mixed for US logistics players; differentiated performance across Chinese players in 1Q25.** In the US, UPS underperformed in 2Q25, weighed down by elevated delivery costs and delayed cost relief measures. This contrasts with FedEx's strong 4QFY25 earnings growth which was driven by margin expansion and operating efficiency gains. The prevailing macroeconomic uncertainty has led both UPS and FedEx to withhold 2026F guidance. However, we believe that sustained cost discipline and potential normalisation in global trade flows could set the stage for margin recovery in the medium term.

Within the Chinese market, SF Holding delivered robust 1Q25 results fuelled by increased parcel volumes and recovery in international business. The company continues to drive productivity gains with organisational reforms and technological advancements. Conversely, ZTO Express maintained its focus on volume leadership, but 1Q25 results lagged expectations as intensified competition continued to pressure performance.

### Global express market size and growth trends



Source: Transport Intelligence, DBS

**Maintaining profitability in this dynamic environment hinges on cost agility; capital returns remain a top priority.** UPS and FedEx are implementing productivity enhancements and leveraging technology to optimise cost structures in response to softening demand and global trade complexities. This trend is mirrored by Chinese logistics providers who focus on lean management initiatives and technological innovation.

Separately, both logistics giants remain committed to shareholder payouts. FedEx reported a 5% dividend increase for FY26 (its fifth consecutive annual hike) and UPS announced a USD1.0bn share buyback alongside USD5.5bn in dividends, which should help cushion downside risk.

Table 1:

## Company Commentary

Name	DBS Rating	Target Price	Rationale	Analyst
<b>UPS</b> (UPS US)	<b>BUY</b>	USD115.00	<b>World premier package delivery player with extensive global network.</b> We anticipate UPS to return to earnings growth in FY26, with its adjusted EPS to grow at a c.5% CAGR over the next three years, underpinned by optimising volume mix and effective cost-saving initiatives. Capital return remains a top priority, with shareholder-friendly capital allocation creating value for investors. We expect its strategic pivot towards higher-yielding volumes and network rationalisation to provide a credible roadmap for long-term earnings growth.	Zoe Zhang
<b>FedEx</b> (FDX US)	<b>BUY</b>	USD275.00	<b>A bellwether of the global logistics industry with productivity initiatives to enhance margin expansion.</b> We anticipate for its adjusted EPS to grow at a c.9% CAGR over the next three years, primarily supported by margin expansion and moderate revenue growth. FedEx will raise dividend by 5% in FY26, marking the fifth consecutive year of increases. We expect to see bright margin expansion safeguarded by improving cost structure, as well as favourable shareholder returns on the back of strong free cash generation.	Zoe Zhang
<b>SF Holding</b> (002352 CH)	<b>BUY</b>	CNY58.00	<b>A leading comprehensive logistics service provider with strengthened market leadership.</b> SF Holding is actively cultivating its international business as the second growth curve, while remaining deeply rooted in its domestic market with strengthened leadership. With organisational reforms and technology innovations to boost productivity, we anticipate a c.14% CAGR growth in its core EPS over the next three years. Backed by solid financials and moderated capex pace, it is committed to delivering generous shareholder returns. We favour this stock given its competitive positioning with higher business visibility.	Zoe Zhang

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
UPS US	UPS	BUY	USD115.00	75.0	13.6	7.4	-3.7	United States	Zoe Zhang
FDX US	FedEx	BUY	USD275.00	53.6	12.1	2.5	10.5	United States	Zoe Zhang
002352 CH	SF Holding	BUY	CNY58.00	32.5	19.6	4.0	12.7	China	Zoe Zhang
ZTO US	ZTO Express Cayman	BUY	USD24.00	16.0	12.6	3.4	3.6	China	Zoe Zhang
2618 HK	JD Logistics	BUY	HKD18.00	11.3	10.4	-	17.5	China	Zoe Zhang

Source: Bloomberg, DBS  
Data as at 18 Aug 2025

Source: Unsplash



## The race for relevance

The global luxury industry market size reached **EUR363bn** in 2024 (source: Bain & Co.) and is projected to grow at mid-single-digit CAGR over the next five years to attain nearly **EUR500bn** by 2030. **LVMH**, the top player, is estimated to capture nearly **20% of the industry**.

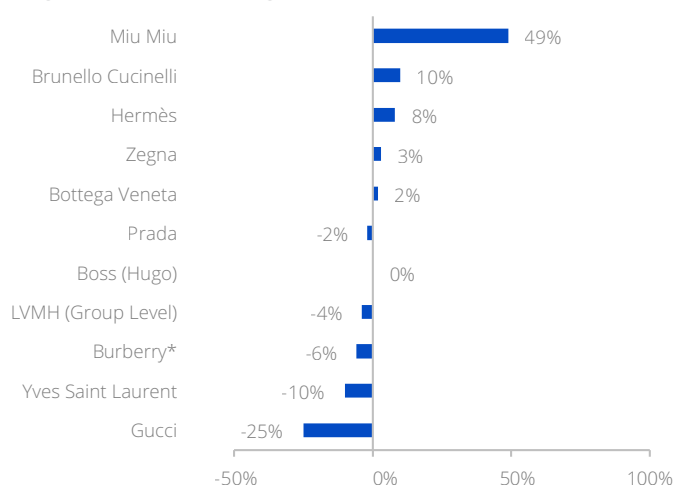
### Divergent trajectories amid persistent headwinds.

The global luxury sector continues to navigate a complex operating environment. While its long-term growth trajectory remains intact with a projected mid-single-digit CAGR (2024-2030), 2Q25 results revealed more pronounced divergence among major players. Hermès extended its outperformance with 8% y/y revenue growth on constant currencies, driven by robust demand for leather goods. Prada also posted a solid 9% retail sales growth, anchored by Miu Miu's continued strength. Conversely, LVMH reported a 7% decline in its core fashion and leather goods division, though overall revenue slightly stabilised due to resilience in selective retailing and supportive perfumes &

cosmetics and watches & jewellery segments. Kering faced significant pressure with 16% revenue decline as Gucci's recovery faltered.

**Mounting challenges reshape the landscape.** Persistent macroeconomic and geopolitical headwinds continue to test sector resilience. Escalating US-EU trade tensions culminated in a proposed 15% tariff on leather goods, compounding existing margin pressures. China's luxury recovery also remains muted, as property market strains continue to suppress high-end discretionary consumption. The recent manufacturing scandal continues to reverberate through the industry, with TikTok-fuelled counterfeit sales surging, forcing large brands to accelerate the adoption of blockchain traceability solutions that could add 5-7% operational costs for early adopters like LVMH and Kering. Consumer fragmentation is also intensifying, with Gen-Z preferences split between Hermès' "Quiet Luxury" aesthetic and Miu Miu's trendy offerings. This is putting pressure on mass-prestige brands that lack distinctive positioning.

### Organic retail sales growth by brand in 1H25 (% y/y)



Source: Companies, DBS

\*Burberry sales data for Apr-Jun 2025, i.e. 1Q FY26

**Revised outlook and strategic imperatives.** World Bank downgraded its 2025 global growth forecast in Jun 2025 by 0.4 %pts to 2.3%, reflecting prolonged consumption weakness, tariff impacts, and inflation pressures on aspirational buyers. While UHNW spending remains resilient, brands face strategic pivots to capture demand. Digital integration through AI-driven personalisation and supply-chain transparency initiatives are becoming critical differentiators to restore consumer trust. Investment priorities now favour companies with pricing power and category diversification: Hermès and Prada remain well-positioned for sustained outperformance, while LVMH's diversified portfolio provides relative stability. Kering requires close monitoring of its Gucci turnaround strategy amid ongoing wholesale contraction. Near-term headwinds demand disciplined cost management, while sector leaders continue investing in experiential retail and craftsmanship narratives to reinforce brand equity.

Table 1:

## Company Commentary

Name	DBS Rating	Target Price	Rationale	Analyst
<b>LVMH</b> (MC FP)	<b>HOLD</b>	EUR469.00	<b>Leader with the most diversified portfolio.</b> 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 competitive advantage. The company reported 4% y/y revenue decline to EUR39.8bn and 22% net profit plunge to EUR5.7bn for 1H25, driven by geopolitical disruptions and sluggish Asian demand, especially for Japan's 15% sales collapse due to high tourist spending a year ago, though operating free cash flow surged 29% to EUR4bn. While Europe saw 1% growth and the US stabilised, management reaffirmed its commitment to brand excellence and cost controls, including potential asset sales like Marc Jacobs to navigate ongoing challenges. We remain confident in LVMH's medium- to longer-term growth prospects.	Mavis Hui
<b>Prada</b> (1913 HK)	<b>BUY</b>	HKD58.85	<b>Targets above-market growth.</b> Prada reported resilient 1H25 results with 9% revenue growth (EUR2.7bn), driven overwhelmingly by Miu Miu's 49% sales surge—offsetting the Prada brand's 2% decline and propelling Miu Miu's contribution to 32% of group retail sales. All regions grew, led by the Middle East (+26%), Americas (+12%), and Asia-Pacific (+10%), while EBIT margins held steady at 22.6% despite higher marketing investments; net profit was up 0.8% to EUR386mn. Management reaffirmed its full-price strategy and brand investment focus, though Versace acquisition uncertainties (expected 4Q closure) and luxury market volatility pose near-term challenges. Management continues to target at above-market growth and expects a meaningful enhancement in operating leverage in medium-term.	Mavis Hui
<b>Hermès</b> (RMS FP)	<b>BUY</b>	EUR2,708.00	<b>Industry-leading margins.</b> Hermès is known for its exceptional craftsmanship, premium materials, and timeless designs, while its limited production creates exclusivity and desirability. It has cultivated strong customer loyalty through consistent quality, diverse product offerings, and a focus on customer satisfaction. The company reported robust 2Q25 results, with sales rising 9% y/y at constant rates to EUR3.9bn, accelerating from 1Q and driving half-year revenue growth of 8% to EUR8bn. All geographic regions contributed positively during 1H25, as Japan surged 16%, the Americas rose 12%, and Europe (ex-France) grew 13%, offsetting softer 3% growth in Asia (ex-Japan). Leather Goods & Saddlery—the core revenue driver (45% of total)—led segment performance with 12% growth, while Ready-to-Wear rose 6%. Net profit fell to EUR2.2bn due to a one-time tax charge, but underlying profitability remained strong. Medium-term outlook stays confident, while the company continues to invest in production to commit to quality and creativity to uphold a positive outlook.	Mavis Hui
<b>Kering</b> (KER FP)	<b>HOLD</b>	EUR164.00	<b>Strategic initiatives could help recovery.</b> Kering reported challenging financial results for 2Q25 and 1H25, with 2Q25 revenue falling 18% y/y (-15% on a comparable basis) to EUR3.7bn, driven by weak demand, geopolitical uncertainty, and significant tourism declines—particularly in Japan (-29%) and Western Europe (-17%). 1H25 revenue declined 16% (15% comparable) to EUR7.6bn, while recurring operating margin dropped 4.7 %pts to 12.8%. Net income plummeted 46% to EUR474mn. Despite these pressures, free cash flow from operations reached EUR2.4bn, bolstered by EUR1.3bn from real estate transactions. The group's efforts to rationalise its store network, enhance brand exclusivity, and optimise its cost structure could eventually bring Kering back to growth.	Mavis Hui

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
RMS FP	Hermès	BUY	EUR2,708.00	255.1	47.8	1.3	-1.6	France	Mavis Hui
KER FP	Kering	HOLD	EUR164.00	30.6	35.6	2.8	-35.6	France	Mavis Hui
MC FP	LVMH	HOLD	EUR469.00	278.7	22.2	2.7	-14.6	France	Mavis Hui
1913.HK	Prada	BUY	HKD58.85	13.6	13.1	3.5	5.2	Hong Kong	Mavis Hui

Source: Bloomberg, DBS  
Data as at 18 Aug 2025



## Bolstered by “integrated” business model

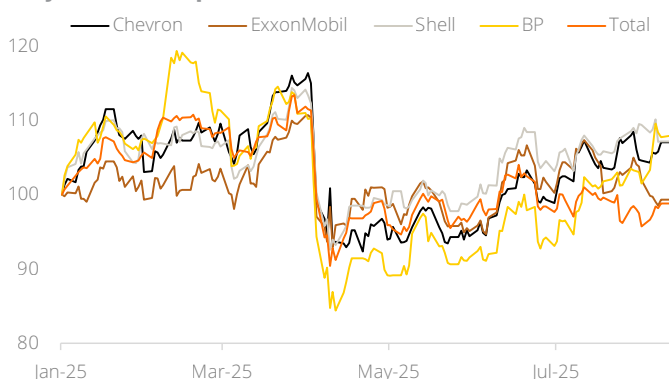
**Global oil majors refer to the world’s seven largest non-state-owned integrated oil and gas producers, which are publicly traded on US and European exchanges. Together, they account for c.10% of global oil production in a highly fragmented industry.**

**Oil price outlook remains on edge, driven by uncertain geopolitical environment.** Brent crude oil prices have experienced volatility since the onset of Trump’s tariff wars in April. The Iran-Israel war added further complexity, and while hostilities have eased, stricter US sanctions on importers of Iranian oil could reduce market supply if Chinese teapot refineries blink. Similarly, threats of secondary sanctions on importers of Russian oil, especially India, create further supply disruption risks. These factors have kept Brent crude oil prices hovering near the USD70/bbl levels, despite the OPEC+ supply strategy which aims to unwind more than 2.2mn barrels

per day of voluntary supply cuts by September. Our estimates for Brent crude oil price remain unchanged at USD70-75/bbl for 2025 and USD65-70/bbl for 2026. While lingering US-China trade concerns persist, a reasonable deal could lift commodity sentiment in 2H25. Conversely, a breakdown and escalation of trade tensions remain a key downside macro risks.

**2Q results boosted by volume gains, no change to shareholder return focus.** Oil majors mostly beat expectations in 2Q as street estimates were conservative given the lower commodity price environment. Across the board, upstream earnings in 2Q were impacted by lower commodity prices but this was frequently offset by higher volumes, improved downstream results, or effective cost management. Shareholder returns remain a priority, with healthy dividends sustained and share buybacks continuing at previously guided levels. Capex remains in check.

### Steady improvement in share prices for global oil majors since April



Source: Bloomberg, DBS

**Integrated business model still a safe space.** Global integrated oil majors have held up better this year, up c.5% on average, compared to pure-play upstream picks like US shale players, which are down c.6% on average YTD in 2025. We believe the integrated model – offering downstream diversification and exposure to a strong LNG market – is a better bet amid today’s uncertain oil market. In our base case, demand-side sentiment could improve, supporting some recovery in oil prices in 2H25 despite OPEC+ front-loading barrels. Average dividend yield for global oil majors lies between 4-7%, and combined with share buybacks, total implied shareholder returns of >10% at current levels should provide support to share prices.

Table 1:

## Company Commentary

Name	DBS Rating	Target Price	Rationale	Analyst
<b>ExxonMobil</b> (XOM US)	<b>BUY</b>	USD128.00	<b>No compromise on production growth.</b> ExxonMobil's strong execution was reflected in its 2Q25 results, with earnings supported by higher margin upstream volumes and structural cost savings. ExxonMobil remains committed to its USD20bn annual share buyback programme through 2026, despite prevailing market uncertainties. Given its strong volume growth and healthy returns profile, we believe the stock should remain resilient amid any potential market volatility in the near term.	Suvro Sarkar
<b>Chevron</b> (CVX US)	<b>BUY</b>	USD173.00	<b>More excitement in store in 2025.</b> Chevron expects 2025 production growth to reach the high end of the 6-8% range (ex-Hess), driven by Kazakhstan's ramp-up and new Gulf of America projects. The Hess acquisition, finally completed in July after a favourable arbitration ruling, will contribute additional production and cash flow in 2H25. Given the organic and inorganic volume growth expected in 2025/26, sentiment for the stock should improve and lead to further re-rating.	Suvro Sarkar
<b>TotalEnergies</b> (TTE FP)	<b>BUY</b>	EUR58.00	<b>Production growth supporting robust shareholder return potential.</b> TotalEnergies is currently the second ranked private player in the global LNG market, highly leveraged to natural gas as a transition fuel in the energy evolution. Near term, we are still looking at hydrocarbon growth despite reduced capex guidance for 2025, with FIDs taken in 2024 expected to anchor c.3% production growth to 2030. In 2025, TotalEnergies expects a 5% increase in overall energy production, combining hydrocarbon and electricity production.	Suvro Sarkar
<b>Shell</b> (SHEL LN)	<b>BUY</b>	GBP30.00	<b>New strategic direction further sharpens focus on returns.</b> Shell remains committed to its LNG business, with a targeted sales growth of 4-5% per annum through to 2030, reinforcing its position as the leading player in this sector. The company also aims to grow top-line production across its upstream and integrated gas segments by 1% annually through 2030, sustaining its liquids production at 1.4mn barrels per day.	Suvro Sarkar
<b>BP</b> (BP LN)	<b>HOLD</b>	GBP4.25	<b>All eyes on execution of strategy reset.</b> Earlier this year, BP announced its strategic "reset", focused on three core aspects: (i) reducing and reallocating capex, (ii) lowering costs to drive improved operating performance, and (iii) improving its balance sheet to support resilient distributions. This marks a sharp pivot from low-carbon growth, with renewed focus on hydrocarbons that could eventually lead to a valuation rebound, though execution remains key. Meanwhile, speculation about a potential takeover by European rival Shell has surfaced in recent months, but such a scenario appears unlikely at this stage.	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	USD128.00	454.0	15.8	3.7	-13.9	United States	Suvro Sakar
CVX US	Chevron	BUY	USD173.00	320.5	19.9	4.3	-19.3	United States	Suvro Sakar
COP US	ConocoPhillips	BUY	USD118.00	119.1	14.9	3.3	-18.2	United States	Suvro Sakar
SHEL LN	Shell	BUY	GBP30.00	209.6	11.9	4.1	18.1	United Kingdom	Suvro Sakar
BP/ LN	BP	HOLD	GBP4.25	90.3	12.7	5.9	1,795.0	United Kingdom	Suvro Sakar
TTE FP	TotalEnergies	BUY	EUR58.00	142.8	9.1	6.0	-6.9	France	Suvro Sakar
ENI IM	Eni	HOLD	EUR14.80	55.1	10.1	6.7	86.8	Italy	Suvro Sakar

Source: Bloomberg, DBS  
Data as at 18 Aug 2025

# Online Games



Benjamin Goh  
Analyst

Andy Yu  
Analyst

Sachin Mittal  
Analyst

Edmond Fok  
Analyst



Source: Unsplash

## AI unlocking game revenue growth

The global online games sector is expected to grow at a CAGR of 8% from 2024-2032, reaching USD441bn, primarily driven by growth in China and the US<sup>1</sup>. The industry is transitioning from traditional to cloud and mobile platforms. A critical success factor lies in the ability to scale beyond home markets and extend the shelf life of existing titles.

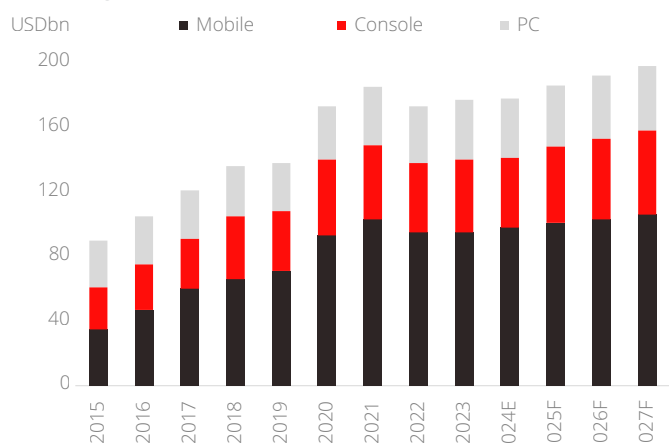
**AI driving tangible revenue impact in gaming.** AI is becoming a key revenue catalyst for the gaming industry across multiple dimensions: (i) Content creation efficiency. AI enables studios to create new gaming content due to lower cost and faster turnarounds. (ii) Personalised player experiences. By dynamically adjusting difficulty to each player and surfacing tailored in-game offers, AI helps to enhance player retention, increase time spent in-game, and lift ARPU. (iii) More immersive gameplay. AI-driven NPCs support more realistic dialogue and adaptive behaviours, improving game immersion. (iv) Improved marketing and user acquisition. AI enhances campaign targeting by funnelling high-intent users into titles and

raising install efficiency to drive user acquisition. These initiatives collectively make game publishers a meaningful AI beneficiary.

**Online gaming results beat expectations; Tencent stood out.** The better-than-expected results were supported by strong engagement with core franchises, sustained live-ops monetisation, and benefits from mobile expansion and AI-driven marketing. Tencent stood out with the fastest games revenue growth. The recently launched Delta Force emerged top three in July's DAU in China, underscoring its long-term potential, while Peacekeeper Elite also saw DAU grow 30% y/y. Internationally, games revenue surged 35% y/y. Clash Royale saw higher DAU, following more frequent update cycles. AI-powered user acquisition and engagement tools further enhance Tencent's marketing efficiency and cross-title retention. Tencent's combination of broad-based growth, faster mobile momentum, and AI leverage underscored its clear outperformance over peers.

**Main preference for mobile-exposed and AI-enabled players.** Chinese game developers have higher exposure to the faster-growing mobile games segment, compared to its US peers. Mobile is growing faster than PC/console because it benefits more directly from AI-enhanced marketing and distribution channels. These factors scale user growth and monetisation more quickly on mobile than other platforms. Beyond marketing, AI-powered gameplay and personalised experience have meaningfully boosted DAU and average time spent. We believe Chinese online game giants with large model capabilities should be able to deploy AI more effectively and comprehensively, thereby seeing a more tangible improvement. At the same time, regulatory headwinds appear to be easing as game approvals in China hit a multi-year high in Jul 2025, supporting sentiment and pipeline visibility.

### Global game revenue by platform



Source: Newzoo, DBS

<sup>1</sup> Precedence Research

Table 1:

## Company Commentary

Name	DBS Rating	Target Price	Rationale	Analyst
<b>Tencent</b> (700 HK)	<b>BUY</b>	HKD786.00	<b>Leading online game player in China.</b> Tencent has a c.40% market share in online games revenue, boasting flagship titles such as Honour of Kings and Peacekeeper Elite. We project its online games revenue to grow by 18% y/y in FY25F, led by 22% y/y growth in overseas revenue. Tencent remains favourable for its (i) reacceleration of games revenue, (ii) monetisation of video accounts, and (iii) longer-term monetisation of the WeChat ecosystem. We project adjusted earnings CAGR of 14% over FY24-27F (Dec YE).	Sachin Mittal
<b>Electronic Arts</b> (EA US)	<b>BUY</b>	USD200.00	<b>Global leader in digital interactive entertainment.</b> Electronic Arts wields dominance in sports games, with over 300 exclusive licenses to publish football simulation video games. It benefits from frequent content updates for popular esports franchises (e.g. FIFA). Electronic Arts remains favourable for (i) stronger sports game demand, with Electronic Arts Sports FC 25 leading the charts and (ii) higher earnings increment from live services. The consensus projects an earnings CAGR of 11% over FY25-28F (March YE). Electronic Arts' three-year buyback plan of USD5bn (c.11% of market cap) would also support shareholder returns.	Sachin Mittal
<b>Take-Two Interactive</b> (TTWO US)	<b>BUY</b>	USD273.00	<b>Legacy titles and a robust pipeline support strong growth.</b> Take-Two Interactive owns strong game franchises including NBA 2K, Grand Theft Auto, and Red Dead Online. Consensus projects 60% adjusted EPS CAGR from FY25-28F (Mar YE), supported mainly by a step-change in FY27 due to the launch of Grand Theft Auto VI and the associated flywheel, i.e. large day-one unit base, premium pricing, and high-margin online monetisation. Earnings growth will also be supported by upside from acquisition synergies with game studios such as Zynga and Gearbox, and international expansion.	Sachin Mittal

Source: DBS  
Data as at 18 Aug 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	HKD786.00	693.8	19.6	0.8	32.4	China	Sachin Mittal
EA US	Electronic Arts	BUY	USD200.00	43.7	21.2	0.4	92.9	United States	Sachin Mittal
TTWO US	Take-Two Interactive	BUY	USD273.00	42.8	81.1	-	111.2	United States	Sachin Mittal
259960 KS	Krafton	BUY	KRW401,750	10.8	14.8	-	-25.4	South Korea	Sachin Mittal

Source: Bloomberg, DBS  
Data as at 18 Aug 2025

# Ride-Hailing



## Expanding horizons from rides to revenue ecosystems

The global ride-hailing market is estimated to rise at a CAGR of 9.6% over 2025-2030, reaching USD322bn<sup>1</sup> in 2030. Uber remains the dominant player in the US, while Grab leads in Southeast Asia. Both players are benefitting from diversification into the food delivery business which offers a bigger TAM that is projected to grow at a CAGR of 9.4%, reaching USD506bn in 2030<sup>2</sup>. Advertising has emerged as the latest driver with a higher margin profile. Grab has also ventured into the fintech segment with digital lending, offering 23% CAGR in Southeast Asia over 2024-2030<sup>3</sup>.

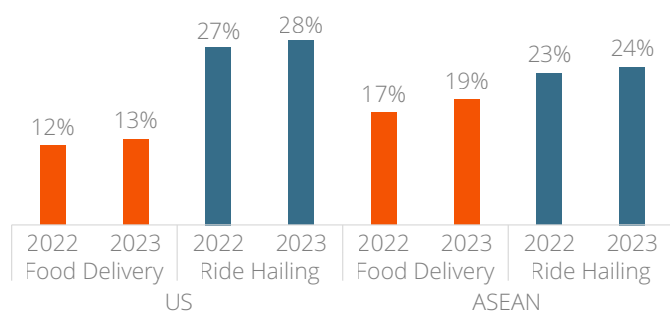
**Rising advertising revenue and supportive policy tailwinds in the US.** We believe US players are structurally better positioned to secure superior EBITDA margins in the long term as drivers are not paid incentives. In the US, most drivers own their vehicles, whereas in Southeast Asia, drivers typically stipend 30-50% of their daily earnings for leasing costs. Secondly, US consumers tend to tip more, contributing to 15-20% of the order value in tips to the drivers for food-delivery service, compared to less than 5-10% in Southeast Asia. Furthermore, recent US federal legislation exempting tips from income tax

is expected to increase driver earnings by 2.5%<sup>4</sup> and improve driver supply—a critical factor for reducing churn and supporting service reliability.

Globally, advertising is emerging as a fast-growing vertical, supported by innovations in in-app placements and vehicle-based advertising formats. In the US, advertising revenue across the industry is expanding at over 20% y/y, contributing to margin uplift. Southeast Asia is also seeing strong momentum with a 31% y/y increase in active advertisers and 42% rise in average spend per advertiser. This growth is supported by the evolution of ride-hailing platforms into multi-service ecosystems, including fintech, which has significantly boosted user engagement and retention. Super app integration has led to a 4.5x increase in cross-service usage and lifted one-year customer retention from 47% to 79%.

**Prefer players with a dominant market share in ride-hailing and delivery services.** Players offering both ride-hailing and delivery services can benefit from operational synergies. These include (i) broadening their appeal to a younger demographic of customers for new services, (ii) more efficient resource utilisation by redeploying their delivery drivers for ride-hailing services outside peak hours, (iii) enhanced cross-selling opportunities from the use of loyalty points and other promotions, and (iv) leveraging their extensive customer base for new innovative services like robotaxis. On-demand players in Southeast Asia have expanded into fintech services due to a huge potential for digital lending services. While these fintech segments are not yet profitable, adjusted EBITDA losses continue to narrow as marketing expenses have peaked.

### Penetration rate for on-demand services has a big room to rise



Source: Statista, Enterprise Apps Today, Euromonitor, DBS

<sup>1</sup> Mordor Intelligence

<sup>2</sup> Grandview Research

<sup>3</sup> Google Temasek and Bain

<sup>4</sup> CNBC

Table 1:

## Company Commentary

Name	DBS Rating	Target Price	Rationale	Analyst
<b>Uber</b> (UBER US)	<b>BUY</b>	USD105.00	<b>Uber enjoys key advantages over its peers.</b> Uber's market share of above 76% in mobility in the US and Canada is much larger than its competitor, Lyft. Not just dominant in mobility, Uber is 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 at a high 30s to 40% CAGR, in line with consensus. Uber offers an adjusted EBITDA CAGR of 29% over FY24-26F and currently trades at a 12M forward EV/adjusted EBITDA of 18.6x. The stock was volatile in FY24, yet had a return of 6% after correction. During Jan 2025, the stock surged by 3.5%. However, potential competition from AV developers, such as Waymo and Tesla, presents a risk that could impact outlook.	Nashrullah Putra Sulaeman
<b>Grab</b> (GRAB US)	<b>BUY</b>	USD6.35	<b>A dominant on-demand services player.</b> Grab is the market leader in Southeast Asia for delivery and mobility services while also offering fintech services. Grab maintained FY25F adjusted EBITDA guidance of USD460-480mn. Grab is trading at 18.8x 12M forward EV/adjusted EBITDA (excluding fintech losses) at a 1% premium to UBER's 18.6x and offers a much higher adjusted EBITDA CAGR of 40% (excluding fintech losses) over FY24-26F from delivery margin expansion and lower regional costs. Grab's stock surged by 44% in FY2024.	Sachin Mittal
<b>Lyft</b> (LYFT US)	<b>HOLD</b>	USD15.60	<b>LYFT faces competitive hurdles in battling Uber's dominance.</b> Its smaller scale at a 24% market share in the US (compared to Uber's 76%) and limited focus on the North American (NA) mobility market limit cross-sell opportunities and re-investment capabilities for Lyft. Lyft offers adjusted EBITDA CAGR of 31% over FY24-26F on a lower adjusted EBITDA base compared to Uber. The stock is trading at a 12M forward EV/EBITDA of 7.8x, 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 18 Aug 2025

Table 2:

## DBS Coverage at a Glance

Bloomberg Ticker	Company	DBS Rating	DBS Target Price (LCY)	Market cap (USDbn)	Fwd. P/E (x)	1Y Fwd EPS Growth (%)	Geography	Analyst
UBER US	Uber	BUY	USD105.00	193.1	25.6	-23.3	United States	Nashrullah Putra Sullaeman
GRAB US	Grab	BUY	USD6.35	20.9	109.1	256.7	Singapore	Sachin Mittal
LYFT US	Lyft	HOLD	USD15.60	6.4	14.7	1,695.0	United States	Nashrullah Putra Sullaeman
3690 HK	Meituan	BUY	HKD171.00	95.0	17.2	11.1	China	Andy Yu

Source: Bloomberg, DBS  
Data as at 18 Aug 2025



## The B-word

"When bubbles happen, smart people get overexcited about a kernel of truth" – Sam Altman, in an August 2025 interview.

OpenAI's CEO is comparing AI exuberance to the dotcom boom – even as OpenAI amassed USD40bn from a funding round earlier this year. Clearly, there is a need to separate hype from fundamentals.

Amid early signs of sector maturity, increasing bifurcation is emerging between the leaders and laggards of AI revolution. Stick with AI winners and firms positioned at the heart of the AI stack where value creation is most pronounced.

# Semiconductors Fabless



**Yeang Cheng Ling**  
CIO, North Asia

**Daryl Lim, CFA**  
Analyst

**Ling Lee Keng**  
Analyst

**Foo Fang Boon**  
Analyst



## Powering the AI revolution

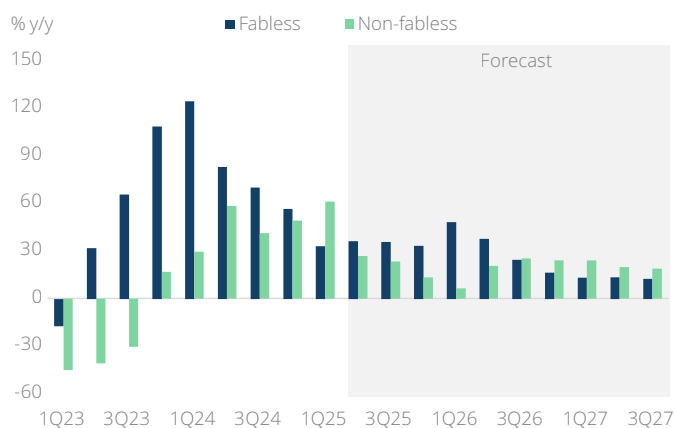
**Fabless chipmakers are benefitting from the current AI revolution as AI semiconductor revenue is poised to grow at a 26% CAGR during 2024-2029, outpacing 10% CAGR for the overall semiconductor industry. Fabless chipmakers continue to deliver cutting-edge technological innovation, reaping the benefits of their intensive R&D commitments over the years. Key players among our coverage include Nvidia, AMD, Marvell, Broadcom, and Qualcomm, who are leading the AI race now.**

**Fabless fuels AI.** Fabless semiconductor companies play a crucial role in the advancement of AI by focusing on the design and innovation of chips while outsourcing capex-intensive manufacturing to specialised foundries. This model allows them to be agile and dedicate resources towards cutting-edge innovations, which have enabled many technological advancements and allows

adaptation to the evolving demands of AI applications. In essence, the fabless approach fuels AI's rapid progress by delivering cutting-edge hardware solutions at scale and speed.

**Key growth driver in AI.** Robust performance in AI semiconductors (including GPUs and custom accelerators) underpins the sector's double-digit y/y revenue growth between 2024 and 2026. According to Gartner's research, AI chips are expected to leap ahead and become the second largest semiconductor segment in 2025 at 18%, after memory. The above-peer growth expectations for the five fabless chipmakers under our coverage further reinforce this point. On aggregate, consensus expects them to register revenue/earnings growths of 31.4%/39.2% over the next 12 months, double that of the non-fabless chipmakers under coverage (13.7%/16.7%). This is primarily underpinned by their focus and exposure to AI. Though growth could normalise to the 15-20% range, it is still a matter of quarters before the non-fabless chipmakers could catch up in terms of earnings growth.

### Fabless earnings growth remains encouraging even after normalisation



Source: VisibleAlpha, DBS  
Computed on aggregate basis.  
Fabless stocks: NVDA, AVGO, MRVL, AMD, QCOM

**Fabless plays stay ahead despite tariffs.** Fabless companies are the nerve centre of the semiconductor value chain; they control chip architecture, IP, product roadmaps, and tap world-class foundries for manufacturing. Further positives for this segment include (i) the recent withdrawal of the AI diffusion rule that facilitates wider AI adoption, (ii) the reversal of Nvidia's H20 and AMD MI308 export ban which gives access to the Chinese market, and (iii) a possible exemption from Trump's latest 100% semiconductor tariff, given the US presence for its key customers and partners. Meanwhile, the outlook for fabless players remains encouraging driven by (a) AI demand and design-led value capture, (b) improving sentiment, and (c) fabless/IP names reporting stronger growth than other segments.

Table 1:

## Company Commentary

Name	DBS Rating	Target Price	Rationale	Analyst
<b>Nvidia</b> (NVDA US)	<b>BUY</b>	USD220.00	<b>From world's most valuable chipmaker to world's largest stock.</b> Nvidia, the market leader for AI chips, has and continues to break new heights with each passing quarter. Sustained AI capex from hyperscalers and sovereign AI buildout underpin robust AI/DCca execution, and momentum is reflected in its stellar financials, as it is poised to exceed USD200bn of sales in FY26 (+56% y/y). Recent withdrawal of the AI diffusion rule, reversal of the H20 export ban that gives access to the Chinese market, and likely exemption from Trump's 100% semiconductor tariff given its USD500bn US reshoring commitment are positives for this stock.	Foo Fang Boon
<b>AMD</b> (AMD US)	<b>HOLD</b>	USD155.00	<b>Building a foothold in AI to capture vast opportunities.</b> AMD sees AI as a multi-billion-dollar growth opportunity, with its data centre GPU segment expected to be the key revenue driver, projected to grow at a 56% CAGR in FY24-FY28, according to consensus estimates. While it still trails Nvidia in software and ecosystem lock-in, AMD is steadily closing the gap with a strong product roadmap. The reinstatement of US license access to the critical China AI market, despite a 15% tariff, may pressure margins but remain a long-term positive for growth.	Amanda Tan
<b>Broadcom</b> (AVGO US)	<b>BUY</b>	USD330.00	<b>Accelerating AI momentum with custom AI chips.</b> We remain positive on this stock, especially in the custom AI chips value chain. Management sees an addressable AI market of USD60-90bn by FY27, underpinned by strong AI cluster deployment by its hyperscaler clients. Further upside to AI chips demand could come through (i) an accelerated shift to inference needs and (ii) faster deployment and scalability with its latest released Tomahawk 6 switches. Prospects also look attractive over the next one to two years with consensus expecting AI chips revenues to average 10% q/q revenue growth over the next eight quarters.	Foo Fang Boon

Source: Bloomberg, DBS  
Data as at 18 Aug 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
AMD US	AMD	HOLD	USD155.00	288.1	44.8	-	292.2	United States	Amanda Tan
AVGO US	Broadcom	BUY	USD330.00	1,440.9	46.0	0.8	423.9	United States	Fang Boon Foo
MRVL US	Marvell Technology	BUY	USD70.00	65.7	27.1	0.3	375.9	United States	Fang Boon Foo
NVDA US	Nvidia	BUY	USD220.00	4,403.0	41.0	0.0	48.2	United States	Fang Boon Foo
QCOM US	Qualcomm	BUY	USD180.00	170.3	13.3	2.2	30.9	United States	Fang Boon Foo

Source: Bloomberg, DBS  
Data as at 18 Aug 2025

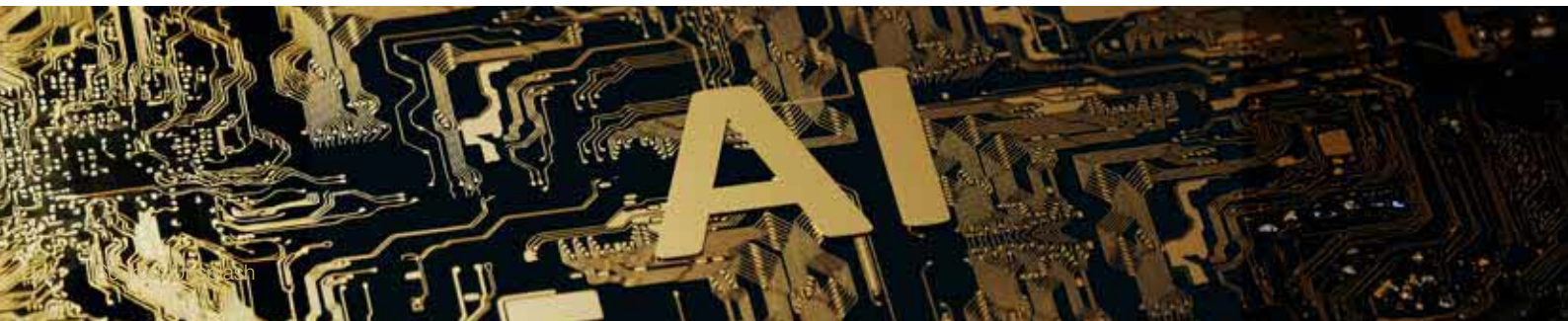
# Semiconductors Foundries



Yeang Cheng Ling  
CIO, North Asia

Daryl Lim, CFA  
Analyst

Ling Lee Keng  
Analyst



## Soaring on AI demand

The semiconductor foundry market is set to maintain its growth trajectory, with revenue expected to reach USD160.3bn in 2025, marking a 17% y/y increase following a solid 20% gain in 2024. Growth is fuelled by strong demand for advanced node wafers and AI-related packaging. Foundry capex is also on the upswing, projected to rise 9-10% annually in 2025/26. TSMC was leading with 65.3% foundry revenue market share as of 2024, followed by Samsung (6.9%), SMIC (5.8%), UMC (5.2%), and Globalfoundries (4.9%).

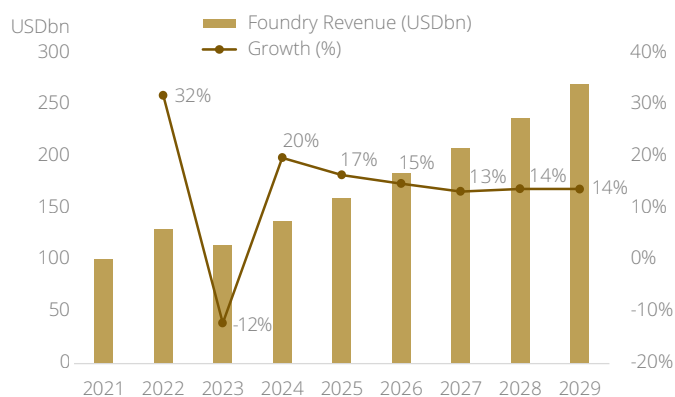
**Semiconductor growth underpinned by AI and node transitions; Asia leads capex expansion.** The semiconductor foundry market demonstrates strong momentum, driven by demand for AI-related chips and node transitions. Following a robust 20% y/y increase in 2024, growth rates are projected to stay strong at 17% in 2025 and 15% in 2026, pointing to a 15% CAGR from 2024 to 2029. Key drivers include the rising adoption of advanced process nodes (e.g., 3nm and 2nm) and innovations in packaging technologies. Capex

is expected to rise by 9%-10% in 2025 and 2026, led by Asia and particularly China, where spending will grow by 15% and 10% driven by an increase in capacity localisation. Companies with US-based facilities, such as TSMC, Globalfoundries, and UMC, stand to benefit from recent tariff policy that favour domestic production.

**TSMC's AI surge; SMIC's localised growth.** TSMC's strong 2Q25 results underscore its leadership in advanced chip manufacturing, with c.50% of its revenue derived from advanced nodes (5nm and 3nm). Growth is driven by rising AI demand, with 3Q revenue guidance pointing to sustained momentum. In contrast, Globalfoundries and UMC reported weaker results driven by lower margins and slower pace of market recovery owing to larger exposures to mature notes.

In China, SMIC and Hua Hong are benefitting from China's localisation initiatives amid US-China tensions. SMIC posted strong 2Q25 results with solid growth and resilient margins, boosted by its expansion in 12-inch fabs for advanced nodes. Hua Hong, meanwhile, remains focused on mature nodes, having to face margin pressure from high costs linked to its aggressive expansion plans.

### Foundry revenue vs y/y growth



Source: Gartner, DBS

### Key growth catalyst: Advanced nodes and packaging.

Advanced nodes are crucial for foundries to boost market share, profitability, and maintain industry leadership. The move for advanced nodes is increasingly paired with matching packaging capacity, enabling foundries to offer high-value, full-stack manufacturing solutions. What was once optional has grown to become essential, as advanced packaging addresses the rising complexity and cost of traditional node scaling. TSMC's competitive edge lies in its scale, manufacturing yield rates, and deep integration of front-end and back-end processes.

Table 1:

## Company Commentary

Name	DBS Rating	Target Price	Rationale	Analyst
<b>TSMC</b> (TSM US)	<b>BUY</b>	USD276.00	<b>Sustainable AI growth.</b> TSMC, a leader in cutting-edge chips, is also benefitting from rising adoption of advanced packaging. The company's earnings outlook remains strong, with projected growth of 34% in FY25 and 16% in FY26, driven by robust demand for its 3nm node and progress on 2nm technology, slated for mass production in 2025. While advanced packaging currently contributes modestly, it is expected to grow rapidly and become a key profit driver in the coming years.	Jim Au
<b>SMIC</b> (981 HK)	<b>BUY</b>	HKD63.00	<b>Riding on accelerating chip localisation.</b> SMIC is well-positioned to capitalise on China's rapid shift toward chip localisation, leveraging its status as China's largest wafer foundry equipped with cutting-edge fabrication technology and a robust capacity expansion strategy amid a recovering end-market. The surge in demand for AI chips remains a major growth driver, while the automotive semiconductor sector, driven by the thriving EV market and rising chip content in vehicles, is emerging as a powerful growth driver.	Jim Au
<b>GlobalFoundries</b> (GFS US)	<b>BUY</b>	USD48.50	<b>Long-term partnerships and stable margins underpin growth.</b> The mid-to long-term outlook remains positive, supported by long-term agreements with key automotive and smart device customers like Qualcomm and Infineon, ensuring reliable wafer supply. Expansion of manufacturing capabilities, supported by government funding, will further drive growth. In the near term, however, challenges remain amid uncertainties in end-demand and geopolitical risks.	Jim Au

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
GFS US	GlobalFoundries	BUY	USD48.50	18.4	20.7	-	432.7	United States	Jim Au
1347 HK	Hua Hong	HOLD	HKD38.00	13.1	133.8	-	44.1	Hong Kong	Jim Au
981 HK	SMIC	BUY	HKD63.00	65.8	74.9	-	50.0	Hong Kong	Jim Au
TSM US	TSMC	BUY	USD276.00	1,239.0	24.2	0.9	-	Taiwan	Jim Au
UMC US	UMC	BUY	USD10.00	17.3	15.3	5.4	-	Taiwan	Jim Au

Source: Bloomberg, DBS  
Data as at 18 Aug 2025

Source: Unsplash

## AI agents transform ERP and CRM operations

The integration of AI agents in CRM and ERP systems is reshaping the outlook for enterprise software with potential labour cost savings of over 50% in customer interactions. ERP software is forecasted to grow at a CAGR of 14%<sup>1</sup> over 2024-2032 with CRM at 13% and the broader software market at 12%<sup>2</sup> over the same period. Salesforce, SAP, and Alibaba have the highest exposure to the CRM and ERP segments.

**AI agents drive operational efficiency and customer value in ERP and CRM.** Gartner estimates that ERP-embedded AI agents will cut operational costs by 8-12% and accelerate the CRM customer conversion ratio by 20-30% through automation and real-time engagement. IDC notes that automation-focused firms are 1.7x more likely to adopt Agentic AI in ERP, while firms prioritising customer loyalty show a 45% preference for AI-driven CRM tools.

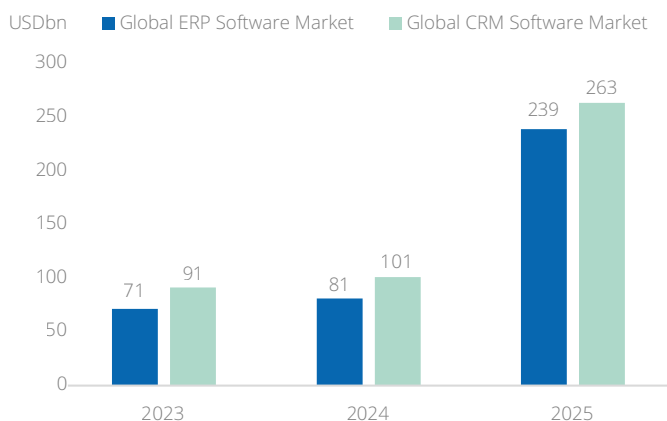
Human agents cost c.USD15-25 per hour to handle four to six interactions, equating to USD4-6 per interaction. However, the use of Agentforce would save over 50% on

labour costs, translating to a lower cost of c.65-75 cents per interaction, including the cost of compute power, AI model licensing, and API overhead. In 2025, leading ERP providers such as SAP and Salesforce are embedding AI agents that can simulate supply chain scenarios and forecast demand shocks or staffing plans in real time, accelerating adoption from manufacturing, logistics, and financial customers.

**Revenue growth to stay robust.** Leading companies such as Salesforce, Oracle, Intuit, and SAP delivered CY2Q25 earnings that either met or exceeded consensus estimates, fuelled by improved operational efficiencies and lower-than-anticipated tax rates. CRM players such as Salesforce are aiming for revenue growths of 8-9% for FY1/26 on strong demand in the APAC region. ERP players such as SAP expect FY25 revenue to grow over 10%, benefitting from its high-growth cloud segment, while Oracle expects to record 11-13% y/y revenue growth for 1QFY5/26 by gaining market share in the cloud business.

**Prefer SaaS providers, especially ERP players who face lower risk from new AI-native players.** SaaS providers are well-positioned to monetise AI by directly integrating their products with AI-infrastructure. While both ERP and CRM providers stand to gain from AI agents, incumbent CRM players may face some heat from new AI-native players. We prefer ERP players who can (i) proactively make decisions through autonomous insights and (ii) automate system configurations. These capabilities not only reduce costs but also make advanced solutions accessible to businesses of all sizes. The winners are SAP and Alibaba for their exposure to ERP segments and AI-native capabilities respectively.

### Global ERP & CRM software market size



Source: Fortune Business Insights, DBS

<sup>1</sup> Fortune Business Insight

<sup>2</sup> Precedence Research

Table 1:

## Company Commentary

Name	DBS Rating	Target Price	Rationale	Analyst
<b>Salesforce</b> (CRM US)	<b>BUY</b>	USD377.00	<b>The world's leading CRM provider.</b> 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 has since scaled to over 8,000 deals (over 4,000 paid) with c.800 customers live. It introduced Agentforce 3 in Jun 2025, adding a Command Center, MCP interoperability, and over 100 prebuilt actions that drove measurable gains such as 15% faster case handling and 22% higher retention. Its market-leading position also enabled the monetisation of Einstein GPT since Mar 2023. With c.90% of Fortune 500 companies using Salesforce, we like it for its leadership position in the CRM sector. The stock offers an adjusted earnings CAGR of 11.4% over FY1/25-FY27F. Our TP is based on 8.2x FY26F EV/Sales, c.1 SD above its five-year historical average of 6.7x.	Sachin Mittal
<b>Oracle</b> (ORCL US)	<b>BUY</b>	USD300.00	<b>A small public cloud player gaining market share.</b> Oracle offers two popular cloud-based solutions—Fusion and NetSuite ERP cloud—which have fared relatively well in the past quarters and registered c.20% y/y growth rates YTD in 2025. Oracle is also a provider of public cloud with a low-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 17.3% over FY5/25-FY27F. Our TP is based on a 13x FY26F EV/Sales, c.2 SD above its five-year historical average of 6.8x.	Sachin Mittal
<b>SAP</b> (SAP GR)	<b>BUY</b>	EUR325.00	<b>Ongoing cloud migration from legacy licensing model.</b> SAP's revenue contribution mix has shifted further with software licenses/cloud subscriptions moving from 16%/25% in FY19 and 4%/50% in FY24 to 2%/56% as of 1H25. The rapid 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 SAP's ongoing restructuring programme and its partnership with Nvidia will enhance its AI capabilities. The stock offers an adjusted earnings CAGR of 19.1% over FY25F-FY27F (Dec 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
<b>Alibaba</b> (BABA US)	<b>BUY</b>	HKD157.00	<b>Attractive potential for additional return.</b> Alibaba remains the leading e-commerce player in China with c.41% market share, and GMV has stabilised after earlier share losses to PDD and livestreaming platforms. The company is set to benefit from high growth in international e-commerce and a continued pickup in cloud with AI-powered products adding to earnings momentum. The Cloud Intelligence segment delivers AI-powered ERP and CRM features through its expanding Tongyi Qianwen (Qwen) model suite, including the latest Qwen three releases with multimodal, multilingual, and reasoning capabilities. The stock offers a decent 5% earnings CAGR from FY25F-27F (Mar YE) with an 18x 12-month forward P/E, c.1 SD above the historical average, reflecting expectations that Alibaba will continue to re-rate on the back of cloud revenue momentum and accelerating AI adoption.	Sachin Mittal

Source: Bloomberg, DBS  
Data as at 18 Aug 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	USD377.00	231.8	21.4	0.7	75.7	United States	Sachin Mittal
ADBE US	Adobe	BUY	USD660.00	150.5	17.2	-	65.7	United States	Sachin Mittal
SAP GR	SAP	BUY	EUR325.00	340.8	38.6	1.0	129.0	Germany	Sachin Mittal
BABA US	Alibaba	BUY	USD157.00	289.2	13.8	1.6	14.3	China	Sachin Mittal
INTU US	Intuit	BUY	USD875.00	199.9	35.7	0.6	89.9	United States	Sachin Mittal
ADP US	Automatic Data Processing	HOLD	USD306.00	122.2	27.6	2.0	9.0	United States	Sachin Mittal
ORCL US	Oracle	BUY	USD300.00	697.4	36.6	0.7	52.1	United States	Sachin Mittal
WDAY US	Workday	BUY	USD295.00	60.4	25.8	-	343.3	United States	Sachin Mittal
ZM US	Zoom	BUY	USD102.00	22.1	13.0	-	71.0	United States	Sachin Mittal

Source: Bloomberg, DBS  
Data as at 18 Aug 2025

# Sports Apparel

**Dylan Cheang**  
Strategist

**Alison Fok**  
Analyst

**Benjamin Goh**  
Analyst

**Mavis Hui**  
Analyst



## Consumer resilience over tariffs

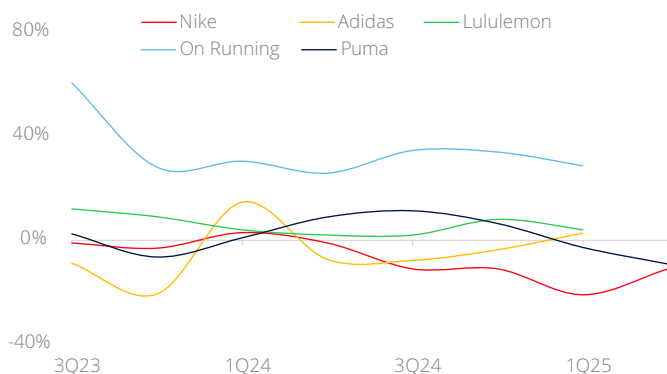
**The global sportswear industry encompassing athletic footwear, apparel, and accessories, is projected to grow at a 2024-28E CAGR of 6%, reaching USD451bn by 2028E. The top three players in the US market are Nike, Adidas, and Lululemon, which altogether account for 24% of the industry.**

**Supply chain restructuring to accelerate benefitting Southeast Asia.** The global sportswear industry is experiencing temporary volatility due to tariff-induced disruptions. While the industry faces near-term margin compression, companies with diversified supply chains and premium brands are exhibiting pricing power. In this environment, market leaders with selective positioning and operational agility are better placed than those with broad, undifferentiated exposure.

**Strategic price hikes with financial impact expected.** Sportswear players such as Nike, Adidas, Puma, On Running, and Lululemon are preparing for US price

increases in response to tariffs. While additional costs will not be fully passed on to consumers, market leaders are selectively implementing price increases to protect margins. Nike, despite potentially facing USD1bn in cost impact, maintains flexibility through supply chain diversification and has already implemented price increases – USD5 on footwear between USD100 and USD150, up to USD10 on footwear above USD150, and USD2-10 on other goods. Adidas, by contrast, paused profit guidance increases in 1Q25 due to tariff uncertainty. Meanwhile, Puma is more exposed, with a projected EUR80mn gross profit impact in FY25E and elevated inventory levels from expedited shipments to pre-empt tariffs, which led to less full-price sales in 2Q25. On Running is comparatively insulated, benefitting from its Southeast Asia-focused supply chain, with limited reliance on China. Under such a backdrop, On Running raised its topline guidance slightly to 28% y/y (on a currency neutral basis) in 1Q25, though it tempered margin expectations. Meanwhile, Lululemon reiterated revenue growth guidance of 5-7%, reflecting brand resilience in premium athleisure, even as it anticipates heightened margin pressure in FY Jan 2026.

### North America sales change (% y/y, currency-neutral basis)



Source: Company data, DBS  
Nike: 2Q25: 4QFY25; 1Q25: 3QFY25; 4Q24: 2QFY25; 3Q24: 1QFY25  
Lululemon/On/Puma: Americas includes all Americas  
(Puma 2Q25: North America)

**Temporary operational challenges met by consumer resilience.** Current market disruption creates selective entry points for high-quality players with operational advantages, particularly those less exposed to Chinese production or a demonstrated ability to maintain pricing power. While near-term volatility from margin compression and inventory adjustments remains, these dislocations present tactical investment opportunities. Over the medium term, the structural realignment of supply chains will benefit companies with established alternative manufacturing bases. Market leaders that combine brand premium positioning with operational agility are best placed to deliver relative outperformance through this period of industry restructuring.

Table 1:

## Company Commentary

Name	DBS Rating	Target Price	Rationale	Analyst
<b>Nike</b> (NKE US)	<b>BUY</b>	USD85.00	<b>“Win Now” strategy on the go.</b> Nike Direct, especially Nike Brand Digital, has seen a slowdown in growth due to the lack of product launches and effective marketing. Nike has been focusing on its “Win Now” strategy since the return of former CEO, Elliot Hill, to recentre around sports and athletes while also actively reaching out to its distribution partners globally to deliver a strong product pipeline and channel investments.	Alison Fok
<b>Adidas</b> (ADS GR)	<b>BUY</b>	EUR264.00	<b>Turnaround driven by Samba, Gazelle, and Spezial.</b> By working on its sell-through rates and controlling its retail discount levels, footwear models such as Samba, Gazelle, Spezial, and Campus are performing well. In the performance segment, Adidas has upgraded its Adizero running products and extended its product range toward the commercial everyday runner segment. Adidas’ profitability has continued to exhibit a solid turnaround since the clearance of the Yeezy brand. While Adidas has paused its market expected profit guidance hike due to tariff uncertainties, FY25E operating profit is still forecasted to increase to EUR1.7-1.8bn (FY24: EUR1.3bn). Adidas is set to sustain a double-digit rate topline growth, and overall sales should sustain a high-single-digit rate growth.	Alison Fok
<b>On</b> (ONON GR)	<b>FULLY VALUED</b>	USD38.80	<b>Primed to lead.</b> On’s latest debuts—two of which are Cloudmonster and Cloudsurfer—continued to garner a strong loyalty following. The company raised its full-year net sales outlook in 1Q25, expecting to achieve a 28% growth on a constant currency basis in FY25E (previously: 27%), while GP margin is tempered to 60-60.5% (previously: 60.5%), and adjusted EBITDA margin was in the range of 16.5-17.5% in FY25E (previously: 17-17.5%) due to uncertainty from US tariffs.	Alison Fok
<b>Lululemon</b> (LULU US)	<b>FULLY VALUED</b>	USD165.00	<b>Overseas expansion as a key factor.</b> Lululemon Athletica as a premium yoga brand provider has experienced competition in its core market against emerging players including the likes of Alo Yoga and Vuori. While the company has placed strong efforts on its Asia expansion, which has received positive traction, it may not be able to fully offset core market weakness. The company expects to deliver a 5-7% topline growth, while diluted EPS was lowered in its latest FY25E forecasts.	Alison Fok
<b>ANTA Sports</b> (2020 HK)	<b>BUY</b>	HKD118.00	<b>Winning on all fronts.</b> ANTA Sports is China’s largest sportswear player and expects to maintain its teen-level top-line growth over the next three years. This growth is projected to be driven by ANTA (10-15%), FILA (10-15%), and other brands (Descente & Kolon Sports; +30%). Against tough macro-economic headwinds, ANTA Sports maintained on-track growth through balancing its omni-channel exposure and discount control under high market competition.	Alison Fok

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	BUY	USD85.00	113.7	45.3	2.0	-21.8	United States	Alison Fok
ADS GR	Adidas	BUY	EUR264.00	35.0	21.8	1.2	77.9	Germany	Alison Fok
LULU US	Lululemon	FULLY VALUED	USD165.00	23.8	13.7	-	-1.0	United States	Alison Fok
ONON US	On	FULLY VALUED	USD38.80	14.8	59.5	-	-26.9	Switzerland	Alison Fok
2020 HK	ANTA Sports	BUY	HKD118.00	33.0	17.6	2.6	-13.4	China	Alison Fok
2331 HK	Li Ning	BUY	HKD19.50	5.9	16.8	3.6	-15.9	China	Alison Fok

Source: Bloomberg, DBS  
Data as at 18 Aug 2025



Source: Unsplash

## In the race to net zero

Global renewable capacity is set to grow 8-10% annually through 2030—a strong pace, but still short of the 16% CAGR needed to meet COP28 targets. Massive policy acceleration and investments are critical. Asia dominates the charge with China and India expected to deliver nearly half of all new capacity worldwide. The US continues to expand solar, wind, and storage rapidly, but shifting policy winds could slow momentum. Meanwhile, Europe is racing ahead with large-scale solar and offshore wind deployments, aiming to double its renewables footprint by 2030.

### Time is pressing for renewable tendering in Europe.

Europe's electricity demand is projected to grow c.2% CAGR through 2030, driven by AI data centres, EV charging, and heat pumps. To meet rising demand and achieve 2030 renewable targets, solar and wind installations must double over the next five years with solar expected to deliver 62.5% of the additions and wind 37.5%. Grid investments exceeding EUR90bn annually are critical to integrate this capacity. Europe's tendering pace has picked up after setbacks such as Denmark's failed 3GW auction in 2024 and Germany's 2.5GW zero-bid North Sea tender in 2025 which prompted auction reforms—introducing two-sided CFDs and inflation-linked adjustments. While solar and onshore wind remain more financially viable near term, offshore wind tenders has regained momentum in late 2024–2025.

### Resilient 2Q25 earnings and energy transition focus.

Europe's leading utilities reported resilient 2Q25 results, underpinned by grid investment, renewables growth, and strategic positioning for energy transition. E.ON saw strong network earnings on higher grid capex; Enel's stable EBITDA was supported by Latin American renewables; Iberdrola posted 8% y/y revenue growth from new capacity and pricing gains; Veolia outperformed on circular economy expansion; and Engie benefitted from contracted renewables and gas networks. Most firms raised or reaffirmed guidance despite softening prices, signaling sector defensiveness.

**A selective approach.** Europe utilities outperformed the STOXX 600 index YTD, reflecting investor appetite for stable yields, secure cash flows, and the structural growth story around renewables and grid upgrades. However, the past one to two months saw some pullback as rotation into cyclical sectors, softening power prices, and rate cut expectations dampened momentum. Looking ahead, sector outlook remains constructive: high investment visibility, robust dividend policies, and regulatory support for decarbonisation and energy security continue to underpin the investment case. Favourable grid and renewable proxies, i.e. E.ON, Enel, and Iberdrola, have done fairly well. There are probably more legs to run for Veolia and ENGIE at this point.

### Europe: Current renewable capacity, pipeline, and gap towards 2030 targets

Technology	Installed (2024)	2030 Target	Under Construction (2025)	Gap to Close	Implied 5Y CAGR through 2030
Solar PV	280 GW	750 GW	50 GW	420 GW	18%
Onshore Wind	248 GW	340 GW	25 GW	67 GW	5%
Offshore Wind	37 GW	110 GW	10 GW	63 GW	20%
Total	565 GW	1.2 GW	85 GW	550 GW	13%

Source: European Commission - Renewable Energy, SolarPower Europe, WindEurope, DBS

Table 1:

## Company Commentary

Name	DBS Rating	Target Price	Rationale	Analyst
<b>ENGIE</b> (ENGI FP)	<b>BUY</b>	EUR21.50	<b>Solid business mix; attractive yield.</b> ENGIE has a diverse clean power generation portfolio including nuclear, natural gas, hydro, wind, solar, and biomass. Share of regulated, quasi-regulated or contracted EBITDA is expected to increase moderately towards 75% by 2027 from c.55% in 2024. It plans to accelerate growth in renewables (stepping up renewable capacity additions by 4.2GW [or c.10% increase] in 2024 with further 8GW under construction as at end Jun 2025) and infrastructure assets with largely predictable cash flows. We value ENGIE based on 6x FY25F EV/EBITDA. ENGIE offers attractive 7% dividend yield, one of the highest amongst Europe utilities play.	Ho Pei Hwa
<b>Veolia</b> (VIE FP)	<b>BUY</b>	EUR37.50	<b>A global champion in ecological transition.</b> Veolia is uniquely positioned as an innovative global leader player in water, waste, and energy, focusing on new technologies and growth markets. It has a well-balanced portfolio mix and sound revenue visibility, based on its contracted and quasi-regulated businesses (c.70% of revenue is indexed). Veolia targets 8-9% CAGR in net profit over 2024-2027. We value Veolia based on 6.3x EV/EBITDA which is a decent 5% dividend yield.	Ho Pei Hwa

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 (%)	Geography	Analyst
IBE SM	Iberdrola	BUY	EUR16.60	127.4	17.4	3.2	Spain	Pei Hwa Ho
ENEL IM	Enel	HOLD	EUR8.10	95.4	11.8	5.9	Italy	Pei Hwa Ho
EOAN GR	E.ON	BUY	EUR17.00	48.8	13.8	3.5	Germany	Pei Hwa Ho
RWE GR	RWE	HOLD	EUR33.00	30.4	16.6	3.2	Germany	Elizabeth Pang
ENGI FP	Engie	BUY	EUR21.50	53.9	9.7	7.8	France	Pei Hwa Ho
VIE FP	Veolia	BUY	EUR37.30	26.8	13.9	4.5	France	Pei Hwa Ho
ORSTED DC	Orsted	HOLD	DKK220.00	13.8	11.1	-	Denmark	Elizabeth Pang
NEE US	NextEra Energy	HOLD	USD75.00	155.3	20.5	2.9	United States	Elizabeth Pang
DUK US	Duke Energy	BUY	USD135.00	95.1	19.4	3.4	United States	Elizabeth Pang
CEG US	Constellation Energy	HOLD	USD350.00	101.5	34.7	0.5	United States	Elizabeth Pang
BEP US	Brookfield Renewable Partners	BUY	USD42.00	16.2	-	5.9	United States	Elizabeth Pang

Source: Bloomberg, DBS  
Data as at 18 Aug 2025

# Glossary

Acronym	Definition	Acronym	Definition
AI	artificial intelligence	GPT	Generative Pre-trained Transformer
AI/DC	artificial intelligence/data centre	GPU	graphics processing unit
APAC	Asia Pacific	GW	gigawatts
API	Application Programming Interface	HIBOR	Hong Kong Interbank Offered Rate
ARPU	average revenue per use	HNW	high net worth
ASP	Average Selling Price	IaaS	Infrastructure as a Service
AUM	assets under management	IATA	International Air Transport Association
AxJ	Asia ex-Japan		
B2B	business-to-business	IDC	Internet Data Centre
B2C	business-to-consumer		
bbl	barrel	(Data Centres)	
bps	basis points	IDC	International Data Corporation
CAGR	compound annual growth rate	(Consumer Electronics & Software)	
CFD	Contracts for Difference	IDG	Intelligent Devices Group
COL	cost of liability	ISG	Infrastructure Solutions Group
COP28	the 28th United Nations Climate Change Conference	LLM	large language model
CRE	Commercial Real Estate	LNG	liquefied natural gas
CRM	Customer Relationship Management	LPR	loan prime rate
CT	computed tomography	LVMH	Moët Hennessy Louis Vuitton
DAU	Daily Active Users	M&A	mergers and acquisitions
DEI	diversity, equity, and inclusion	MRI	magnetic resonance imaging
DPS	Divided Per Share	Nat Cat	natural catastrophe
DTC	Direct-to-Consumer	NB PC	notebook personal computer
EBIT	earnings before interest and taxes	NII	net interest income
EBITDA	earnings before interest, tax, depreciation, and amortisation	NIM	net interest margin
ECL	expected credit loss	NPC	non-player character
EPFR	Emerging Portfolio Fund Research	NPL	non-performing loan
EPS	earnings per share	OE	original equipment
ERP	Enterprise Resource Planning	OEM	original equipment manufacturer
EU	European Union	OIS	overnight indexed swap
EV	electric vehicle	OPEC+	Organisation of the Petroleum Exporting Countries
F&B	food & beverages		
FID	Final Investment Decision	OPM	operating profit margin
FX	foreign exchange	P/B	Price-to-Book
GM	gross margin	P/E	Price-to-Earnings
GMV	Gross Merchandise Value	PC	personal computer
GP	gross profit	PCCT	photon counting computed tomography
		PDD	Pinduoduo
		R&D	Research and Development

Acronym	Definition
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REIT	Real Estate Investment Trust
ROA	Return on Asset
ROE	Return on Equity
SaaS	Software as a Service
SD	Standard Deviation
SOFR	Secured Overnight Financing Rate
SORA	Singapore Overnight Rate Average
SSSG	same-store sales growth
SVOD	Subscription Video On Demand
TAM	total addressable market
TP	Target Price
UHNW	ultra-high-net-worth
USMCA	United States-Mexico-Canada Agreement
VNB	value of new business
WM	wealth management
YE	Year End
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

Completed Date: 28 Aug 2025 22:36:45 (SGT)

Dissemination Date: 28 Aug 2025 22:36:45 (SGT)

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