



DELTA OUTCOMES GLOBAL LEADERS PORTFOLIO

Q2 2026 Portfolio Company Earnings Wrap

Presented by.
Delta Outcomes

Portfolio Executive Summary - Q2 2026 Reporting Season

34 portfolio companies | Q2/H1 2026 reporting season | Prepared by Delta Outcomes Limited

Delivery across the portfolio remained strong: the large majority of companies beat consensus on at least one headline metric (typically EPS), though a handful - Neste, Trane, Waste Management and Xylem among them - missed on revenue even while beating on earnings. Roughly half carry a bullish near-term stance (eighteen of the thirty-four companies covered) against thirteen neutral and three bearish - fewer outright bears than Q1's six. The bigger shift was in what actually moved share prices: a guidance raise, which reliably drove outperformance last quarter, was no longer a dependable signal on its own, as valuation, capex trajectory and the underlying quality of the beat increasingly took precedence over the headline number.

- **AI and data-centre build-out remained the dominant earnings driver, and it broadened further.** TSMC raised FY2026 revenue growth guidance to “slightly above 40%” (from above 30%) and lifted 2026 capex to \$60–64bn; Alphabet's Google Cloud surged 82% to a first-ever \$24.8bn quarter with backlog up \$50bn sequentially to \$514bn; Microsoft's Azure accelerated to 43% growth, taking full-year Azure revenue above \$100bn for the first time; Amazon's AWS grew 37% (its fastest pace in 18 quarters); Cisco's hyperscaler AI orders reached \$9.3bn for FY2026 (~4.5x FY2025); and Johnson Controls, Kingspan (Advnsys +34%), Schneider Electric (Data Center & Networks demand up triple-digit), Siemens (record data-centre order momentum), TE Connectivity (Digital Data Networks +34%), Trane (record HVAC bookings and backlog) and Xylem (Applied Water data-centre orders +300%) all cited the same demand pool.
- **Unlike Q1, raising guidance was no longer a reliable route to a positive reaction.** ABB (–5.9%), Autodesk (–3.7%), Applied Materials (–5%), Linde (–5%), Siemens (–5% intraday), TSMC (–4% to –5%, extending losses into the next session), Trane (a high-single-digit decline) and Cisco (–8.4%) all raised guidance and still sold off, on concerns spanning valuation, capex trajectory and the quality of the beat; Johnson Controls gapped up 5.6% before fading to close down ~2%. Where the market did reward a raise, the moves were large: Amazon (+3.9% into the close, +8–9% after-hours), Microsoft (+9%), Thermo Fisher (+9–10%), Kingspan (+13% intraday), Tomra (+12–15%), Novonesis (+9.6%), Schneider Electric (+6% intraday), Genmab (+6.5%) and Eli Lilly (+5–6%).
- **Capital intensity and free cash flow compression displaced the print as the market's central concern.** Alphabet's free cash flow turned negative (–\$5.9bn) for the first time as capex guidance rose to \$195–205bn; Amazon's trailing free cash flow fell to –\$7.6bn as 2026 capex guidance was lifted to ~\$220bn; TSMC raised 2026 capex guidance to \$60–64bn and committed a further \$100bn to Arizona, taking its cumulative US commitment to \$265bn; Microsoft guided to over \$50bn of capex in a single quarter. As in Q1, investors continued to distinguish capex underwritten by contracted backlog (Cisco, Johnson Controls, Siemens) from capex still taken on faith.
- **Margin pressure this quarter was driven more by one-offs and business mix than by broad input-cost inflation.** ABB absorbed ~\$96m of one-off legacy asbestos and environmental provisions that drove a net income/EPS miss despite record orders; Linde's margin compression was concentrated almost entirely in its Lincare home-care unit; Autodesk's operating margin guidance fell ~100bps on MaintainX dilution; Boston Scientific cut guidance for a second consecutive quarter on Watchman and Electrophysiology competitive pressure; and Barry Callebaut's steep revenue decline reflected the pass-through of a 47% YoY fall in cocoa bean prices rather than weaker underlying demand.
- **The Middle East conflict remained a genuine, two-sided earnings variable, exactly as in Q1.** It again delivered outsized upside for Neste, whose renewable sales margin hit a record \$1,223/ton on Strait of Hormuz-driven diesel and RIN strength, while acting as a persistent drag elsewhere: Ecolab flagged a ~1% Middle East volume headwind, Johnson Controls cited continued EMEA softness tied to the conflict (~10% of that segment), Mastercard's travel data softened on the disruption, and Schneider Electric and Siemens both named Middle East-related supply-chain and inflation risk as a live H2 monitorable.
- **China stayed structurally weak across autos, industrials and healthcare.** Aptiv cut FY guidance on what several analysts now view as structural (not transitory) China auto weakness, sending shares down 16%; Trane and TE Connectivity both flagged continued softness in China Commercial HVAC and auto bookings even as group order momentum hit records; Xylem's China orders and revenue both fell ~30%; Applied Materials' China revenue share continued to shrink (28% of total, down from 35% a year earlier); and AstraZeneca's China revenue fell 13% (constant exchange rates) on volume-based procurement, compounding Farxiga's accelerating US patent-cliff decline.
- **Payments held up, but - for a second straight quarter - traded on forward risk rather than the print.** Visa's quarterly payments volume crossed \$4 trillion for the first time (+10% YoY constant-dollar, aided by the FIFA World Cup) and Mastercard grew 16%

currency-neutral with value-added services up 18–20%; both nonetheless flagged reliance on non-recurring FIFA-related marketing revenue and a moderating, but not yet resolved, Middle East travel drag.

- **Balance sheets and capital returns remained a broad-based source of strength.** Visa returned \$6.2bn to shareholders in the quarter; Cisco returned \$12.7bn over FY2026 (99% of free cash flow) and raised its dividend for a 15th consecutive year; Novonesis approved an inaugural €1bn multi-year buyback; Johnson Controls' net debt/EBITDA improved to 1.9x from 2.5x; Tetra Tech raised its dividend 11%; and Kingspan paused its own buyback specifically to preserve ~€1bn of M&A headroom rather than from any balance-sheet strain. Leverage sat at or inside target across almost the whole portfolio.
- **Net:** earnings power across the portfolio remains intact and, if anything, more broadly exposed to AI-infrastructure demand than in Q1. But the market turned more discriminating this quarter - rewarding the specific combination of a clean beat, credible guidance and disciplined capital allocation, and punishing raises that arrived wrapped in one-off charges, rich starting valuations or capex that has yet to prove its returns. Company-specific execution, more than the macro backdrop, was this quarter's swing factor.

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ABB Ltd - Q2 2026 Earnings Analysis

SIX Swiss Exchange: ABBN | Results released 16 July 2026 |

Executive Summary

- **Record Q2 orders of \$12,042m (+30%; +28% comparable)**, driven by triple-digit data-centre order growth within Electrification (orders +60%/+58% comparable).
- **Operational EBITA beat consensus:** \$1,925m (+20%), margin +90 bps YoY to 20.2%, ahead of the ~19.9% consensus margin estimate.
- **Net income (\$1,231m, +7%) and basic EPS (\$0.68, +8%) missed consensus** (\$1.32bn / \$0.73) on ~\$96m of one-off legacy-claim and environmental provisions plus unrealised FX/commodity derivative losses.
- **FY2026 guidance RAISED for the second consecutive quarter**, to low-double-digit-to-low-teens comparable revenue growth.
- **Announced \$5.5bn all-cash acquisition of Rotork plc** (503p/share, ~60% premium to 3-month average), expanding ABB's automation offering into the “act” phase of the sense-control-act loop.
- **Stock price reaction:** shares fell 5.91% (–CHF 4.92) to close at CHF 78.26 on the day of results (16 July 2026), as the Rotork premium and bottom-line miss outweighed record orders.
- **Balance sheet remains strong** - net debt/EBITDA of 0.3x - funding Rotork via ~\$4.8bn Robotics divestment proceeds plus existing cash, alongside continuation of the \$2bn buyback.
- **NEAR-TERM OUTLOOK: Neutral.** Secular data-centre demand and a guidance raise are supportive, but valuation is already rich (Morningstar 2-star, Price/Fair Value 1.24x) and Rotork integration execution is a key monitorable. Monitor: order lumpiness in data-centre bookings and synergy delivery on Rotork.

What Happened

Metric	Q2 2026	Q2 2025	YoY Change	vs. Consensus
Orders	\$12,042m	\$9,254m	+30% (+28% comp.)	Record high; ahead of expectations
Order Backlog	\$30,007m	\$23,670m	+27% (+28% comp.)	Record high
Revenue	\$9,475m	\$8,295m	+14% (+12% comp.)	Beat (~\$9.47bn est.)
Operating Profit (EBIT)	\$1,585m	\$1,466m	+8%	Not separately tracked
Operational EBITA*	\$1,925m	\$1,598m	+20% (+18% comp.)	Beat (\$1.88bn est.; margin 19.9% est. vs. 20.2% actual)
Net Income (GAAP, attrib. ABB)	\$1,231m	\$1,151m	+7%	Miss (\$1.32bn est.)
EPS (Basic)	\$0.68	\$0.63	+8%	Miss (\$0.73 est.)

† ABB pays an annual dividend (CHF 0.94 for FY2025, paid March 2026); no interim dividend accompanies quarterly results.

* Operational EBITA (earnings before interest, tax and acquisition-related amortisation) is ABB's primary non-GAAP profitability measure and the basis for company-compiled analyst consensus.

Summary: ABB delivered a record Q2 2026, with orders of \$12.04bn (+30%; +28% comparable) and revenue of \$9.48bn (+14%; +12% comparable) both ahead of expectations, while Operational EBITA of \$1.93bn (+20%) beat the Street's ~\$1.88bn estimate and lifted margin 90 bps to 20.2% (vs. ~19.9% expected). However, net income of \$1.23bn and basic EPS of \$0.68 missed consensus (\$1.32bn / \$0.73), reflecting roughly \$96m of one-off legacy asbestos and environmental remediation provisions plus unrealised FX/commodity derivative losses that sit below the Operational EBITA line. The order beat was led by triple-digit data-centre growth within Electrification (orders +60%), while Automation orders fell 13% against a very tough prior-year comparable that included a single

\$600m booking.

Near-term sentiment: Neutral (mixed - record orders and an Operational EBITA beat were offset by a GAAP net income/EPS miss, the size of the Rotork premium, and an already-rich starting valuation).

Why

Revenue: Group orders (+28% comparable) and revenue (+12% comparable) were driven primarily by volume, with pricing contributing ~2% and FX adding a further ~2%. Electrification was the standout, with orders +58% comparable to \$7,231m and revenue +19% comparable to \$5,200m, underpinned by triple-digit data-centre order growth and broad-based strength in utilities, land-based infrastructure (tunnels, airports) and buildings. Motion orders rose 20% comparable (revenue +4% comparable), helped by data-centre cooling, rail and marine demand, with the recently acquired Gamesa Electric business adding to the mix. Automation orders fell 14% comparable against last year's exceptionally strong comparable (which included a single \$600m booking), though the underlying market - marine/port automation, oil & gas, electrification - remained solid; process-related end-markets (pulp & paper, chemicals, mining) stayed soft across all three business areas.

Profitability: Group gross margin fell 50 bps YoY to 40.0%, weighed down by unrealised FX/commodity derivative mark-to-market losses (~\$60m) in two of the three business areas. Operational EBITA margin nonetheless expanded 90 bps to 20.2%, driven by operating leverage on higher volumes, positive pricing and materially lower E-mobility losses (\$18m vs. \$42m a year ago). By segment, Electrification margin rose 100 bps to 24.9% and Automation rose 120 bps to 15.4% (aided by a ~70 bps one-time provision release), while Motion margin fell 130 bps to 18.5% on Gamesa Electric integration losses (~70 bps) and delayed Traction production volumes.

Below-the-line and one-offs: Income from operations margin fell 100 bps YoY to 16.7% - a wider decline than at the EBITA level - because of the FX/commodity derivative headwind noted above plus roughly \$96m of one-off, out-of-period provisions (approximately \$65m for unasserted asbestos claims and \$31m for environmental remediation, both identified and corrected in the quarter) and a ~\$30m fair value adjustment on an equity investment. These non-operational items, together with a 25.5% effective tax rate, explain why net income (+7%) and EPS (+8%) grew far more slowly than Operational EBITA (+20%) and missed consensus despite the top-line and EBITA beat. Separately, ABB announced the \$5.5bn all-cash Rotork acquisition (EV/EBITA of 19.5x on 2025 actuals, reducing to the mid-teens with synergies), expected to add ~3% to group revenue, be immediately accretive to Operational EBITA margin, and become EPS-accretive from year two.

What Happens Next

Forward Guidance:

- FY2026 comparable revenue growth: low-double-digit to low-teens (raised from high-single-digit to low-double-digit).
- FY2026 Operational EBITA margin: to improve YoY, even excluding the Q1 2026 real estate gain; FY book-to-bill expected positive.
- Q3 2026: low- to mid-teens comparable revenue growth YoY, with sequential margin improvement from Q2's 20.2%.

Guidance vs. Prior & Consensus:

- RAISED for the second consecutive quarter, from “high-single-digit to low-double-digit” to “low-double-digit to low-teens” comparable revenue growth for FY2026.
- Morningstar raised its own FY2026 organic revenue growth forecast to 12.9% from 9.8% following the print - within management's newly guided range - and lifted its fair value estimate to CHF 67 from CHF 60.

Stock Price Reaction (day of results):

- ABB shares fell 5.91% (-CHF 4.92) to close at CHF 78.26 on 16 July 2026, down from the CHF 83.18 close on 15 July 2026. Results were released pre-market at 06:40 CET, ahead of the SIX Swiss Exchange's 09:00 CET open, so the same-day close applies.
- Morningstar's Matthew Donen attributed the move to “the 60% premium ABB is paying to acquire Rotork relative to its three-month average share price,” even as Q2 results ran “ahead of our expectations and company-compiled consensus.”
- Reuters/Investing.com coverage similarly pointed to the net income/EPS miss and capital-allocation concerns around the Rotork premium as offsetting the record order intake.

Analyst Sentiment:

- Bulls: secular data-centre/AI infrastructure demand (Electrification orders +58% comparable), record \$30.0bn backlog, and a second consecutive guidance raise.

- Bears: Rotork acquired at 19.5x EV/EBITA (2025 actual) - rich even after “mid-teens” synergies - while ABB shares already trade at 1.24x Price/Fair Value (Morningstar 2-star, “Overvalued”), with, in Morningstar's words, “too much optimism...priced into the stock.”
- Net sentiment: Mixed. Post-results analyst actions were split - DZ Bank raised its target to CHF 95 (Buy), while Berenberg (Hold, CHF 80 target) and RBC (Sector Perform, CHF 81 target) reiterated more cautious stances.

Key Positives, Negatives, Risks, and Concerns

Key Positives:

- Record quarterly orders (\$12.0bn, +30%/+28% comparable) and record backlog (\$30.0bn, +27%/+28% comparable), led by triple-digit data-centre order growth in Electrification.
- Operational EBITA and margin beat consensus (+20% to \$1.93bn; margin +90 bps to 20.2% vs. ~19.9% expected), with FY2026 guidance raised for a second straight quarter.
- Strong balance sheet (net debt/EBITDA 0.3x) funds the Rotork acquisition without compromising the ongoing \$2bn share buyback programme.

Key Negatives:

- Net income and EPS missed consensus by ~7% on one-off asbestos/environmental provisions (~\$96m) and unrealised FX/commodity derivative losses.
- Motion segment Operational EBITA margin fell 130 bps YoY to 18.5% on Gamesa Electric integration losses and Traction production-timing issues.
- Automation orders declined 13% (14% comparable) YoY against a tough prior-year comparable that included a single \$600m booking.

Material Risks & Concerns:

- Rotork priced at 19.5x EV/EBITA (2025 actual, ~60% premium to 3-month average share price); reaching the “mid-teens” post-synergy multiple depends on execution not yet detailed by management.
- Shares already screen as overvalued (Morningstar 2-star, Price/Fair Value 1.24x), leaving limited room for disappointment if AI/data-centre order momentum normalises.
- Management itself flagged order lumpiness ahead - CEO Morten Wierod noted he “cannot promise... we will continue to make that kind of records that we've done every quarter” - a reminder that data-centre order growth, while structurally strong, may vary quarter to quarter.

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Advanced Drainage Systems, Inc. (NYSE: WMS)

Q1 Fiscal Year 2027 Earnings Analysis | Quarter Ended June 30, 2026 | Reported August 6, 2026

Executive Summary

- Strong beat: revenue \$1,001.1m (+20.6% YoY, +0.75% vs. Street \$992.5m); adjusted EPS \$2.49 vs. \$2.10 consensus (+18.6% surprise).
- Adjusted EBITDA rose 28.8% to \$358.3m; margin expanded 230 bps YoY to 35.8%, the second-highest quarterly margin in company history.
- First-ever \$1bn+ revenue quarter, aided by NDS (\$95m) and an estimated \$25–\$30m of stormwater sales pulled forward from Q2 ahead of price increases.
- FY2027 guidance AFFIRMED: net sales \$3.35–\$3.55bn and adjusted EBITDA \$1.00–\$1.05bn, unchanged from prior guidance.
- Shares little changed on the print (last \$149.41, –0.1% in premarket vs. prior close \$149.59), as the beat was offset by warnings of above-seasonal Q2 margin compression.
- Balance sheet remains strong: net leverage 1.5x (below 2.0x target), \$901m liquidity, \$203m free cash flow; repurchased \$228.5m of stock and raised the dividend 11% to \$0.20/share.
- NEAR-TERM OUTLOOK: Neutral. Fundamentals and NDS integration are tracking well, but peak resin inflation and the Q1 pull-forward create a tougher Q2/Q3 margin compare. Monitor: pace of resin cost normalization and residential demand.

What Happened

Metric	Q1 FY27	Q1 FY26	YoY Change	vs. Consensus
Revenue	\$1,001.1m	\$829.9m	+20.6%	Beat (+0.75%, est. \$992.5m)
Operating Profit (EBIT)	\$254.5m	\$205.7m	+23.8%	-
Net Income (GAAP, cont. ops)	\$176.6m	\$144.1m	+22.5%	-
Adjusted EBITDA	\$358.3m	\$278.2m	+28.8%	-
EPS (Adjusted, diluted)	\$2.49	\$1.95	+27.7%	Beat (+18.6%, est. \$2.10)

ADS comfortably beat both revenue and profit expectations, crossing \$1 billion of quarterly revenue for the first time in company history. The earnings beat (+18.6%) was materially larger than the revenue beat (+0.75%), indicating the quarter was driven more by margin strength, favorable price/cost timing and NDS accretion than by outsized top-line surprise. Stormwater revenue rose 24.2% to \$809.4m (including \$94.7m from NDS; organic +9.7%), while Wastewater grew 7.5% to \$191.7m. Adjusted EBITDA margin of 35.8% was the second-highest in company history, up 230 bps YoY.

Near-Term Sentiment: Neutral (beat overshadowed by guidance for above-seasonal Q2 margin compression and a demand pull-forward that borrows from Q2).

Why

Revenue growth was driven by the NDS acquisition (contributing \$94.7m, or roughly 11 points of growth) plus 9.2% organic growth, itself boosted by an estimated \$25–\$30m of stormwater sales pulled forward from Q2 as customers bought ahead of announced price increases (ex-pull-forward organic growth was mid-single digits); non-residential/allied products (+59% in Allied Products) and non-residential construction (+16%) were the strongest underlying drivers, while residential demand was roughly flat organically amid high interest rates and affordability pressure. Adjusted EBITDA margin expanded 230 bps YoY to 35.8%, with the EBITDA bridge showing volume contributing +\$75m and favorable price/mix and materials contributing +\$34m, as pricing actions implemented ahead of the cost cycle combined with a favorable FIFO roll of lower-cost prior-year inventory; this was partially offset by a \$11m

manufacturing/transportation drag (elevated diesel and common-carrier costs) and a \$17m SG&A and other cost increase (primarily NDS-related integration costs). No individually material one-off items were disclosed outside of the \$14.2m NDS inventory step-up and \$3.2m of transaction costs, both added back in the adjusted EBITDA reconciliation.

What Happens Next

Forward Guidance (FY2027, unchanged from prior quarter):

- Net sales: \$3.35bn–\$3.55bn (+10% to +16% YoY)
- Adjusted EBITDA: \$1.00bn–\$1.05bn (+4% to +9% YoY)
- Adjusted EBITDA margin: 29.6%–29.9% (down 170–200 bps YoY, reflecting resin/transportation cost normalization)

Guidance vs. Prior & Consensus:

AFFIRMED - full-year net sales and adjusted EBITDA ranges are unchanged from the guidance issued alongside Q4 FY2026 results in May 2026. The FY2027 EBITDA midpoint of \$1.025bn is modestly below the roughly \$1.05bn analysts had penciled in as of the Q4 print, reflecting management's caution on second-half resin and transportation cost inflation; consensus next-quarter (Q2 FY27) estimates stood at approximately \$1.94 EPS on \$942.7m of revenue ahead of this print.

Stock Price Reaction:

Results were released before the market open on August 6, 2026 (day of results). Shares were little changed in premarket trading, last quoted at \$149.41, down 0.1% from the prior close of \$149.59 - a muted reaction despite the double-digit EPS beat. Commentary attributed the subdued move to management's warning that Q2 margin compression will be "worse than" the typical 300 bps sequential seasonal decline given peak resin cost procurement in Q2/Q3, and to the acknowledgment that \$25–\$30m of Q1 revenue was pulled forward from Q2, tempering enthusiasm for the headline beat. The stock remains about 16.6% below its 52-week high of \$179.32 and roughly 32% above where it traded a year ago.

Analyst Sentiment:

- **Bulls:** point to NDS outperformance, resilient non-residential/data-center demand, disciplined dollar-for-dollar cost recovery and a fortress balance sheet (1.5x leverage) supporting continued buybacks.
- **Bears:** flag the unfavorable Q2/Q3 price-cost timing mismatch as peak resin costs hit before pricing catches up, continued residential softness, and reliance on pull-forward demand to support the Q1 beat.
- **Net sentiment:** Neutral - consensus analyst rating remains constructive (Strong Buy/Moderate Buy skew, average price target implying meaningful upside), but near-term estimate revisions are likely to stay balanced pending visibility on Q2 margin trajectory.

Key Positives, Negatives, Risks, and Concerns

Key Positives:

- Record \$1bn+ revenue quarter with 230 bps of adjusted EBITDA margin expansion to 35.8%, the second-highest in company history.
- NDS integration tracking ahead of plan, delivering its strongest historical quarter (\$95m) with early cross-selling opportunities still untapped.
- Fortress balance sheet: 1.5x net leverage (below the 2.0x target), \$901m liquidity, \$203m free cash flow, an 11% dividend increase and \$228.5m of buybacks.

Key Negatives:

- An estimated \$25–\$30m of Q1 revenue was pulled forward from Q2, meaning underlying organic growth (mid-single digits) was softer than the headline 9.2% organic figure.
- Organic residential demand was flat, with continued weakness in retail and residential land development amid high interest rates and affordability pressure.
- Management guided to Q2 sequential EBITDA margin compression "worse than" the typical 300 bps seasonal step-down as peak resin procurement costs flow through.

Material Risks & Concerns:

- Price/cost timing risk: resin costs are expected to peak in Q2/Q3, with pricing recovering costs on a lagged, dollar-for-dollar basis rather than pre-emptively.
- Elevated and sustained transportation/diesel cost inflation, only partially mitigated by the ~70–75% internally-fleeted delivery network.
- Macro/end-market risk: continued softness in residential construction and a declining agricultural end market (guided down double digits) could offset non-residential strength.

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Alphabet Inc. (NASDAQ: GOOGL / GOOG)

Q2 2026 Earnings Analysis. Results announced 22 July 2026 (after market close)

Executive Summary

- Revenue of \$119.8bn (+24% YoY) beat consensus of ~\$116.8–118.9bn; GAAP diluted EPS of \$9.11 (+294%) far exceeded the \$2.89 estimate, though the beat was driven almost entirely by a \$98.0bn unrealised equity gain rather than core operations.
- Google Cloud revenue surged 82% YoY to \$24.8bn, roughly 11% ahead of the ~\$22.2–22.8bn StreetAccount estimate, with backlog up \$50bn sequentially to \$514bn and operating margin nearly doubling to 35.6% (from 20.7%).
- Search & other revenue grew 17% to \$63.3bn, broadly in line with the ~\$63.4bn consensus (aided by record World Cup-driven query volume); YouTube ads rose 13% to \$11.1bn, ahead of the ~\$10.8bn estimate.
- Management raised FY2026 capex guidance to \$195–205bn (from \$180–190bn) and flagged a further “significant” increase in 2027, pushing free cash flow negative (–\$5.9bn) for the first time.
- Balance sheet remains strong despite the FCF dip: \$242.5bn in cash and marketable securities after a \$49.6bn equity raise and \$20.3bn note issuance; quarterly dividend raised 5% to \$0.22/share.
- Stock fell 7.13% (–\$24.40) to \$317.69 the day after results (released post-close), on volume ~111% above the 3-month average, as investors focused on capex sustainability rather than the operational beat.
- NEAR-TERM OUTLOOK: Bearish near term despite the operational beat - Cloud/AI monetisation momentum is genuine and accelerating, but the market is squarely focused on capex escalation and negative free cash flow.
- Monitor: pace of 2027 capex guidance and whether Cloud backlog conversion (>50% over the next 24 months) offsets near-term margin pressure from third-party capacity bridging and the WISC integration.

What Happened

Metric	Q2 2026	Q2 2025	YoY	vs. Consensus
Revenue	\$119,796m	\$96,428m	+24%	Beat (~\$116.8–118.9bn est.)
Operating Profit (EBIT)	\$40,770m	\$31,271m	+30%	Margin 34.0% vs 32.4%
Net Income (GAAP)	\$112,107m	\$28,196m	+298%	Beat - driven by one-off gain
Net Income (Core, ex-equity gain)*	~\$35.0bn (est.)	\$28,196m	~+24%	Roughly in line
EPS (Diluted, GAAP)	\$9.11	\$2.31	+294%	Beat vs \$2.89 est. (aided by \$6.26 one-off)

**Alphabet does not report a non-GAAP adjusted net income figure. The \$98.0bn net gain in other income and expense (primarily unrealised mark-to-market gains on equity securities) added an estimated \$77.1bn to net income and \$6.26 to diluted EPS after tax, per the company's own disclosure - implying a core EPS of roughly \$2.85, broadly in line with the \$2.89 consensus.*

Alphabet delivered a 12th consecutive quarter of double-digit revenue growth, with the beat driven by Google Cloud's acceleration to 82% growth and continued Search resilience. Operating income grew a still-robust 30% to \$40.8bn (margin +2pts to 34.0%), a clean beat unrelated to the equity mark-to-market. The GAAP net income and EPS figures, while headline-beating, were overwhelmingly inflated by the one-off equity gain rather than core profitability.

Near-term sentiment: Bearish (driven by the raised capex guidance, negative free cash flow, and a 7.1% post-earnings share price decline, despite a broad-based operational beat).

Why

Revenue growth of 24% was broad-based. Search & other (+17% to \$63.3bn) benefited from record World Cup-driven query volume and deeper Gemini/AI integration into ads, with AI Mode surpassing 1bn monthly active users; YouTube ads (+13% to \$11.1bn) were driven by direct response and brand demand tied to 1.7bn unique World Cup viewers. Google Cloud (+82% to \$24.8bn) accelerated on GCP enterprise AI infrastructure and AI solutions demand, plus the first-ever recognition of TPU system sales revenue.

Operating margin expanded 2 points to 34.0%, led by Cloud's margin nearly doubling to 35.6% (from 20.7%) on operating leverage, even as total opex rose 27% - R&D +32% (AI talent and depreciation), sales & marketing +18%, and G&A +24% (including certain legal charges). The GAAP net income surge to \$112.1bn (+298%) was predominantly a below-the-line effect: other income/expense swung to a \$98.0bn net gain, primarily unrealised mark-to-market gains on Alphabet's equity securities portfolio, adding an estimated \$77.1bn to net income and \$6.26 to diluted EPS. This is a material one-off that should not be extrapolated, as OI&E from equity holdings is inherently volatile quarter to quarter.

What Happens Next

Forward Guidance:

- Alphabet does not provide formal FY revenue or EPS guidance.
- FY2026 capital expenditure guidance raised to \$195–205bn (from \$180–190bn), with management flagging a further “significant” increase in 2027.
- Q3 2026 outlook: a slight FX headwind to revenue is expected (vs. a 1pt tailwind in Q2), concentrated in Search and YouTube ads; Cloud operating margin will face “modest” near-term pressure from third-party capacity bridging and WISC integration costs.

Guidance vs. Prior:

- RAISED - FY2026 capex guidance increased by \$15bn at the midpoint, to \$195–205bn from \$180–190bn, driven by an acceleration in the delivery of AI infrastructure capacity.

Stock Price Reaction (day after results, released post-close on 22 July 2026):

- GOOGL closed at \$317.69 on 23 July 2026, down \$24.40 or 7.13% from the prior close of \$342.09, on volume of ~69m shares - roughly 111% above the 3-month average of ~32–33m.

Analyst Sentiment:

- Bulls: Cloud's 82% growth, \$514bn backlog (up from \$108bn a year ago), and 35.6% operating margin are seen as tangible evidence of real AI monetisation; Morningstar maintains a \$433 fair value estimate and 4-star (undervalued) rating.
- Bears: Capex growing ~100% YoY while free cash flow turned negative is prompting concern that spending is outpacing demonstrable returns; commentary framed the debate as “Wall Street wants evidence that AI is driving growth rather than simply driving expenses.”

Net sentiment: Bearish near term - the stock sold off sharply despite the beat - but underlying analyst views (e.g., Morningstar's 4-star rating) remain constructive on a multi-year view.

Key Positives, Negatives, Risks, and Concerns

Key Positives:

- Google Cloud revenue +82% to \$24.8bn, backlog +\$50bn sequentially to \$514bn, and operating margin nearly doubling to 35.6%.
- Search resilience with AI Mode surpassing 1bn monthly active users, driving record World Cup-related query growth; YouTube ads beat consensus.
- Fortress balance sheet (\$242.5bn cash and marketable securities) despite negative quarterly free cash flow, supported by a \$49.6bn equity raise and expanded debt capacity.

Key Negatives:

- Free cash flow turned negative (–\$5.9bn) for the first time as capex reached \$44.9bn, up 100% YoY.
- GAAP EPS beat was overwhelmingly non-operating (one-off \$98.0bn equity gain), masking a smaller underlying operating beat.

- Cloud margins face near-term pressure from third-party capacity bridging and WISC acquisition integration costs.

Material Risks:

- FY2026 capex guidance raised to \$195–205bn with a further “significant” increase flagged for 2027, with limited near-term proof of ROIC beyond backlog conversion (>50% expected over 24 months).
- Ongoing EU regulatory scrutiny, including Digital Markets Act and antitrust enforcement actions, remains a headline risk.
- Competitive frontier-model race intensifying (Gemini 4 still in training) - investor scrutiny of Alphabet's pace of model releases versus peers.

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Amazon.com, Inc. (AMZN) - Q2 2026 Earnings

| Earnings Analysis | Quarter ended 30 June 2026

Executive Summary

- Strong Q2 beat: revenue \$200.6bn (+20% YoY, ~+1.9% above consensus ~\$196.9bn); GAAP operating income \$27.5bn (+43% YoY), above the \$24.0bn high end of guidance.
- AWS was the standout: revenue \$42.2bn (+37% YoY, fastest growth in 18 quarters), beating consensus of ~\$40.5bn; AWS operating margin surged to 39.4% from 32.9%.
- GAAP net income of \$62.6bn (+245% YoY) was flattered by a \$53.4bn non-operating, largely non-cash gain on Amazon's Anthropic stake; adjusted EPS excluding this gain is estimated at ~\$1.95, modestly ahead of the ~\$1.82 consensus.
- Q3 guidance: revenue \$197.0-202.0bn (9-12% growth, ~400bps held back by Prime Day timing) and operating income \$22.5-26.5bn, roughly in line with Street expectations.
- 2026 capex guidance raised to ~\$220bn from ~\$200bn on higher memory/component costs; this exceeds the ~\$207bn analyst consensus flagged pre-print as a risk to the stock.
- Stock reaction: shares closed the day of results (before the post-close release) up 3.9% to \$235.50, then rallied a further ~8-9% in after-hours/pre-market trading toward \$255-258 on the AWS beat.
- Balance sheet remains strong (net debt/EBITDA near zero) but TTM free cash flow turned negative (-\$7.6bn) as AI-related capex accelerates sharply.
- NEAR-TERM OUTLOOK: Bullish. AWS reacceleration, advertising strength (+26%), and disciplined margin execution support the thesis. Monitor: capex trajectory versus ROIC delivery and the sustainability of AWS margin gains (which included ~140bps of one-off derivative accounting benefit).

What Happened

Metric	Q2 2026	Q2 2025	YoY Change	vs. Consensus
Revenue	\$200,606m	\$167,702m	+20%	Beat (~+1.9%, cons. ~\$196.9bn)
Operating Profit (EBIT)	\$27,461m	\$19,171m	+43%	Beat (guidance high end \$24.0bn)
Net Income (GAAP)	\$62,647m	\$18,164m	+245%	n/a - incl. \$53.4bn Anthropic gain
Net Income (Est. Adj., ex-Anthropic gain)	~\$21,264m*	\$18,164m	~+17%*	Beat (est.)
EPS (GAAP Diluted)	\$5.75	\$1.68	+242%	n/a - incl. one-off gain
EPS (Est. Adjusted)*	~\$1.95*	\$1.68	~+16%*	Beat vs. cons. \$1.82 (est.)

**Delta Outcomes estimate: Amazon does not separately disclose an adjusted EPS figure. We back out the \$53.4bn pre-tax non-operating gain (primarily Anthropic stake revaluation) from pre-tax income and apply the quarter's blended effective tax rate (22.5%) to derive an approximate adjusted net income/EPS; treat as directional, not exact, given we cannot fully replicate management's or the Street's own adjustment methodology.*

Summary: Amazon beat on both revenue and operating income, with all three segments - North America, International, and AWS - ahead of expectations; physical stores were the only modest laggard. AWS revenue growth accelerated sharply to 37% (from 28% in Q1), its fastest pace in 18 quarters, and AWS operating margin expanded roughly 650bps YoY (520bps of which is described by Morningstar as underlying, ex a ~140bps one-off derivative-accounting benefit). Reported GAAP net income and EPS were heavily inflated by a \$53.4bn non-operating gain tied to Amazon's Anthropic investment and should not be read as a clean operating beat of the magnitude the headline suggests.

Near-Term Sentiment: Bullish (driven by the AWS reacceleration, margin beat, and Prime Day success), tempered by caution over the raised ~\$220bn capex guide and negative TTM free cash flow.

Why

Revenue growth was driven primarily by AWS, which grew 37% YoY to \$42.2bn on both traditional cloud migration and AI workloads (AI and Chips businesses each now exceed a \$25bn annualised run rate, growing triple digits); North America (+16% to \$116.2bn) and International (+15% to \$42.2bn) both benefited from a roughly 400bps tailwind from Prime Day shifting into Q2 this year (versus Q3 in 2025), alongside 17% worldwide paid-unit growth and 26% advertising growth to \$19.8bn. Profitability improved markedly, with consolidated operating margin expanding to 13.7% from 11.4% a year ago; the improvement was led by AWS, where operating margin jumped to 39.4% from 32.9%, reflecting capacity-utilisation efficiencies, custom silicon (Graviton/Trainium) cost advantages, and roughly 140bps from a fair-value gain on energy derivative contracts. North America margin also improved (7.9% vs. 7.5%), aided by a ~\$600m tariff refund benefit, while International margin rose to 4.1% from 4.1%-equivalent levels a year ago (aided by ~\$300m+ of favourable FX). In total, management flagged approximately \$1.2bn of unusual items (the AWS derivative gain plus tariff refunds) boosting margin by roughly 60bps. Below the line, the quarter's net income and EPS were dominated by a \$53.4bn non-operating, largely non-cash pre-tax gain from the revaluation of Amazon's stake in Anthropic - this is a one-off, mark-to-market item unrelated to underlying operating performance and drove the provision for income taxes up to \$18.2bn from \$2.7bn a year earlier; excluding it, underlying profitability growth was still healthy but far more modest than the headline 245% net income growth implies.

What Happens Next

Forward Guidance:

- Q3 2026 Revenue: \$197.0bn to \$202.0bn (9-12% YoY growth as reported; ~400bps higher ex-Prime Day timing effects)
- Q3 2026 Operating Income: \$22.5bn to \$26.5bn (vs. \$17.4bn in Q3 2025)
- FY2026 Capex: raised to ~\$220bn (from prior ~\$200bn target), primarily for AWS/AI data centre and server build-out

Guidance vs. Prior & Consensus:

- Q3 revenue guidance midpoint (\$199.5bn) and operating income midpoint (\$24.5bn) roughly bracket sell-side models (per Morningstar); this is the first Q3 guide issued, so there is no direct prior-guidance comparison for the quarter itself.
- Capex guidance of ~\$220bn is ABOVE the ~\$207bn analyst consensus (Visible Alpha, cited pre-print) and represents a RAISE from management's own prior ~\$200bn target, cited to higher memory/component pricing.
- AWS backlog (RPO) of \$496bn is up more than 100% YoY, a leading indicator supporting continued AWS growth into 2027-2028; management indicated AWS capacity is essentially fully booked through 2027.

Key Assumptions:

- Continued strong enterprise AI adoption and cloud migration; AI and core AWS growth seen as mutually reinforcing
- No further business acquisitions, restructurings, or legal settlements assumed in guidance
- Q3 guidance anticipates an unfavourable ~80bps FX headwind based on current rates
- Elevated component (memory, SSD, hard drive) costs assumed to persist near-term, feeding into the higher capex guide
- Tariff-related cost absorption expected to continue, with only a limited, traceable subset of refunds passed to customers

Stock Price Reaction (day after results, released post-close):

Results were released after market close on 30 July 2026 (conference call at 5:00pm ET, after the 4:00pm close), so per our timing convention the relevant reaction is the next trading session. Shares closed the day of results (i.e., before the earnings were released) at \$235.50, up 3.90% intraday on general market strength (S&P 500 +1.66%, Nasdaq +2.78%). In extended and pre-market trading following the post-close release, AMZN rallied a further ~8-9.6%, trading as high as ~\$260.80 and most recently quoted around \$257-258 - a move exceeding the options-implied ~6.9% expected swing. As of this writing (31 July 2026), the regular-session close for the next trading day was not yet available; this analysis will need updating once that print confirms the durability of the after-hours move. Trading volume in the initial reaction was approximately 78.7m shares, about 66% above the three-month average. Commentary attributed the move to "the cloud acceleration investors demanded," with AWS's 36.7% growth and beat versus ~\$40.5bn consensus

cited as the decisive driver, outweighing concerns about the higher capex guide and negative free cash flow. Morningstar (Dan Romanoff) raised its fair value estimate on AMZN to \$300 from \$280 following the print, maintaining a 4-star (undervalued) rating even after the pop, citing AWS strength and contained-relative-to-fears capex.

Analyst Sentiment:

- Bulls: AWS reacceleration to 37% growth, margin expansion, \$496bn backlog (+100% YoY), and management's framing of a credible path to AWS as a \$1 trillion+ revenue business support the long-term cloud/AI thesis.
- Bears: the raised ~\$220bn capex guide (above the ~\$207bn Street consensus) revives the capex-versus-ROIC debate that hit Alphabet's stock pre-print, and TTM free cash flow is now negative (-\$7.6bn) for the first time in this cycle.
- Net sentiment: Bullish - the after-hours rally and Morningstar's fair-value upgrade suggest the market is, for now, giving Amazon credit for AI-driven AWS growth outweighing capex concerns.

Key Positives, Negatives, Risks, and Concerns

Positives: AWS growth accelerated for a fifth consecutive quarter to 37% YoY - the fastest in 18 quarters - with margin expansion to 39.4% underscoring genuine operating leverage rather than pure AI-driven cost inflation; advertising (+26% to \$19.8bn) and Amazon Now/same-day grocery expansion (2,300 cities) provide additional, less capital-intensive growth vectors; and the balance sheet remains fortress-like with net debt/EBITDA near zero despite the capex ramp. Negatives: reported net income and EPS growth (+245%/+242%) are materially distorted by the one-off \$53.4bn Anthropic mark-to-market gain and are not representative of underlying earnings power; TTM free cash flow swung to -\$7.6bn from +\$18.2bn a year ago as capex outpaces operating cash flow growth; and roughly 60bps of the quarter's operating margin beat was attributable to non-recurring items (tariff refunds, derivative accounting) rather than the core business. Risks & Concerns: the raised capex guidance (~\$220bn, up from ~\$200bn) keeps Amazon exposed to the same capex-versus-return scrutiny that pressured Alphabet's shares pre-print, particularly if AWS growth or margins prove less durable once one-off benefits roll off; component cost inflation (memory, SSDs) could pressure margins further if sustained; and management's own commentary that AWS remains capacity-constrained through 2027 implies continued heavy, front-loaded capital intensity before incremental returns are fully realised.

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Applied Materials, Inc. *(NASDAQ: AMAT)*

Fiscal Third Quarter 2026 Earnings Analysis

Quarter ended 26 July 2026 | Reported 13 August 2026 (post-market close)

Executive Summary

- Record beat on both lines: revenue of \$9.12bn (+25% YoY, +15% QoQ) topped consensus of ~\$9.0bn, while record non-GAAP EPS of \$3.50 (+41% YoY) beat the ~\$3.39-\$3.40 consensus and the company's own prior guidance midpoint of \$3.36.
- Profitability kept expanding: non-GAAP gross margin reached 50.4%, a 13th consecutive quarter of YoY expansion, and non-GAAP operating margin hit a record 34.0% (+330bps YoY).
- Segment strength was broad-based: Semiconductor Systems revenue rose 27% YoY to \$7.04bn, led by DRAM (+52% YoY, including HBM packaging) and leading-edge foundry/logic; Applied Global Services grew 22% YoY to a record \$1.78bn with operating margin up to 30.1%.
- Guidance raised: FQ4 revenue guided to ~\$10.25bn (+51% YoY) and non-GAAP EPS to ~\$4.02 (+85% YoY), both above prior expectations; management lifted its calendar-2026 Semiconductor Systems growth outlook above the prior >30% target and expects another strong record year in CY2027.
- Stock sold off despite the beat-and-raise: shares fell roughly 5% on 14 August (the first full session after the post-close release) to \$507.18, as a >100% year-to-date rally left the stock priced for perfection; commentary also flagged continued erosion in China's share of revenue (28% of total vs 35% a year earlier).
- Capital returns continued on plan: \$860m distributed in the quarter (\$440m buybacks, \$420m dividends) against a policy of returning 80-100% of free cash flow, with \$12.8bn remaining under the buyback authorization.
- Demand visibility lengthened materially: management cited eight-quarter rolling customer forecasts and, for some large customers, technology-roadmap visibility extending toward 2030, alongside the EPIC Center R&D partnership program expanding to 11 announced engagements.

What Happened

Metric	FQ3'26	FQ3'25	YoY	FQ2'26	QoQ
Revenue	\$9,115M	\$7,302M	+25%	\$7,910M	+15%
Non-GAAP Gross Margin	50.4%	48.9%	+150bps	50.0%	+40bps
Non-GAAP Operating Margin	34.0%	30.7%	+330bps	32.1%	+190bps
GAAP EPS (diluted)	\$3.17	\$2.22	+43%	\$3.51	-10%
Non-GAAP EPS (diluted)	\$3.50	\$2.48	+41%	\$2.86	+22%
Non-GAAP Net Income	\$2,795M	\$1,989M	+41%	\$2,286M	+22%
Operating Cash Flow	\$3,037M	\$2,634M	+15%	\$845M	+259%
Non-GAAP Free Cash Flow	\$2,330M	\$2,050M	+14%	\$210M	+1,010%
Semiconductor Systems Revenue	\$7,040M	\$5,564M	+27%	\$5,965M	+18%
Applied Global Services Revenue	\$1,781M	\$1,463M	+22%	-	-

Applied Materials delivered a record fiscal third quarter, with revenue of \$9,115m (up 25% YoY and 15% QoQ) and non-GAAP EPS of \$3.50 (up 41% YoY, 22% QoQ), both ahead of Street estimates (consensus had centred on roughly \$9.0bn of revenue and \$3.39-\$3.40 of non-GAAP EPS). Semiconductor Systems revenue reached \$7,040m (+27% YoY), with the foundry/logic and DRAM franchises setting records and DRAM revenue (including HBM packaging) up 52% YoY; Applied Global Services revenue rose 22% YoY to \$1,781m. Non-GAAP gross margin expanded to 50.4% and non-GAAP operating margin to a record 34.0%, while the company generated record

operating cash flow of \$3,037m and distributed \$860m to shareholders.

Why

Revenue growth was driven by AI-infrastructure-linked capacity additions across the wafer fab equipment market: gate-all-around and FinFET foundry/logic capacity additions produced record foundry/logic revenue, DRAM revenue (including HBM packaging) grew 52% YoY to record levels as customers began expanding clean-room capacity, and Applied Global Services benefited from both subscription growth and higher transactional parts demand tied to rising fab utilization. Profitability improved YoY on a combination of richer segment mix (Semiconductor Systems, at 55.4% non-GAAP gross margin, grew faster than the lower-margin AGS and Other segments), the company's three-year-old value-based pricing programme re-pricing tools for higher input costs, and continued operating leverage - opex fell to its lowest share of revenue in nearly four years and G&A fell to its lowest share of opex in company history, partly offset by ramp costs from hiring more than 1,500 manufacturing and AGS support staff during the quarter. Below the operating line, GAAP results were held back relative to non-GAAP by a \$220m unrealized loss on strategic investments (versus a \$314m unrealized gain in FQ3'25) and by \$16m of acquisition-related amortization and \$5m of acquisition integration costs, which are added back in the non-GAAP reconciliation; the GAAP effective tax rate of 12.7% compared with an 11.0% non-GAAP rate after adjusting for share-based compensation timing and intra-entity intangible transfers. There were no legal-settlement or restructuring one-offs in the quarter itself (unlike the \$253m export-controls settlement recognized in FQ1'26), so the quarter's non-GAAP adjustments were comparatively modest.

What Happens Next

Management guided FQ4 FY2026 revenue to approximately \$10.25bn ($\pm$ \$500m), up 51% YoY, and non-GAAP EPS to approximately \$4.02 ($\pm$ \$0.20), up 85% YoY - within the outlook, Semiconductor Systems revenue is guided to $\sim$ \$7.9bn (+62% YoY), AGS to $\sim$ \$1.84bn (+22% YoY) and Other (mostly display) to $\sim$ \$510m. Non-GAAP gross margin is guided at roughly 50.4% (flat sequentially, up 230bps YoY) as ramp costs offset richer mix, with non-GAAP opex of $\sim$ \$1.58bn and a non-GAAP tax rate of $\sim$ 11%. This compares favourably with the company's own prior guidance for the quarter just reported ($\sim$ \$8.95bn revenue and $\sim$ \$3.36 non-GAAP EPS, per market previews of the May outlook) and with Street consensus of roughly \$9.0bn revenue and \$3.39-\$3.40 EPS - both beaten. On the full-year outlook, Applied raised its calendar-2026 Semiconductor Systems growth target from the prior "greater than 30%" framing to a higher, unspecified rate, reiterated AGS growth of >20% for CY2026, guided process diagnostics and control revenue to grow >50% and advanced packaging revenue to grow >70% in CY2026, and said it expects to roughly double quarterly system manufacturing capacity from current levels by 2028. Management expressed high confidence in "another strong, record year" in CY2027, citing eight-quarter rolling forecasts from its largest customers and, in some conversations, demand visibility extending out to 2030.

The results were released after the market close on 13 August 2026 (call at 4:30pm ET); AMAT shares had closed that session at \$534.54. Shares fell sharply in the first full session of trading following the release, opening at \$499.40 (-6.6%) on 14 August before recovering somewhat to close at \$507.18, down 5.1% day-over-day on above-average volume of $\sim$ 7.6m shares (IBKR price history). Sell-side commentary attributed the decline to a "sell the news" dynamic rather than any deterioration in the underlying business: the stock had already rallied more than 100% year-to-date and briefly traded above \$739 in June, so a beat-and-raise quarter still fell short of the near-flawless outcome priced in. Seeking Alpha reported the stock down roughly 5% pre-market as "analysts pointed out that investors seemed to have high expectations," and coverage from Yahoo Finance/GuruFocus and Stocks Down Under both framed the move as valuation-driven profit-taking, also flagging that China fell to about 28% of total revenue versus roughly 35% a year earlier. Morningstar (William Kerwin, CFA), publishing the day after the print, maintained its \$520 fair value estimate and a three-star (fairly valued) rating on wide-moat Applied Materials, noting shares were essentially in line with fair value at \$534.54 pre-print and citing confidence that leading-edge logic, DRAM and advanced packaging demand - which is outpacing chip supply - will drive the bulk of wafer-fab-equipment growth through 2027.

Assessment

On balance this was an unambiguously strong quarter operationally, with record revenue, margins and cash flow, a raised full-year outlook, and management commentary describing customer demand visibility (eight-quarter rolling forecasts, and for some large customers out to 2030) as the strongest it has seen; the EPIC Center partnership network (now 11 engagements, including new adds from Broadcom, UC Berkeley and SCREEN) and continued value-based pricing gains support the multi-year margin story. The main negatives and risks are valuation and concentration rather than fundamentals: the shares had priced in near-perfect execution after their 2026 rally, leaving limited room for anything short of a clean beat-and-raise, which is the most plausible explanation for the post-print decline rather than any single disappointing metric; China's revenue share continues to decline (28% of total versus 35% a year

ago) as U.S. export controls reshape that business, even as management still expects absolute China revenue to grow; NAND and non-China ICAPS remain comparatively soft end-markets, though both are now expected to return to growth; and Applied is guiding gross margin flat sequentially into FQ4 as it absorbs ramp costs from rapid hiring, meaning near-term margin upside is more back-half-loaded than the headline growth numbers suggest. A more structural watch-item is capacity: management's plan to roughly double quarterly system output by 2028 (explicitly not framed as a revenue forecast) implies substantial ongoing capital intensity, and the durability of the AI-driven wafer-fab-equipment upcycle - on which the bulk of this growth outlook depends - remains the key swing factor for the stock from here.

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Aptiv PLC - Q2 2026 Earnings Analysis

Second Quarter Fiscal 2026 (ended June 30, 2026) | Reported August 4, 2026 (pre-market) | NYSE: APTV |

Executive Summary

- Adjusted EPS of \$1.63** beat consensus \$1.42 by 14.8%, but GAAP revenue of \$3,274M (+2.3% YoY) was roughly in line with the ~\$3.3B Street estimate.
- Non-automotive momentum remains the bright spot** - revenue grew 12% while automotive revenue declined 1%, and year-to-date bookings reached \$10B (on track for a \$20B full-year target), including a first commercial drone award (>\$500M lifetime revenue).
- Management cut FY26 revenue guidance by \$300M at the midpoint** for weakening China domestic demand, production schedule changes, and program launch/software timing delays - the primary driver of today's sell-off.
- Stock fell 16.0% on the day of results**, closing at \$48.05 (near its 52-week low), as the guidance cut overwhelmed the quarterly beat; Morgan Stanley and Deutsche Bank downgraded the stock post-print.
- Aptiv repurchased \$250M** of shares in Q2 (\$325M YTD) and reiterated its commitment to return ~50% of free cash flow to shareholders, though Q2 free cash flow was negative \$33M on EDS separation costs.
- NEAR-TERM OUTLOOK: Bearish-to-Neutral** - China auto weakness now viewed by several analysts as structural rather than transitory, while non-auto/robotics/drone diversification remains early-stage but encouraging.
- Key risks to monitor:** the pace of China local-OEM export bookings converting to actual export revenue, and further slippage in the \$50M software/enterprise timing item into Q4.

What Happened

Metric	Q2 2026	Q2 2025	YoY Change	vs. Consensus
Revenue (U.S. GAAP)	\$3,274M	\$3,199M	+2.3%	~In line (cons. ~\$3.3B)
Operating Profit (EBIT)	\$367M	\$325M	+12.9%	-
Net Income (GAAP, cont. ops)	\$298M	\$265M	+12.5%	-
Net Income (Adjusted)	\$345M	\$285M	+21.1%	-
EPS (Adjusted)	\$1.63	\$1.31	+24.4%	Beat by \$0.21 (cons. \$1.42)

Aptiv delivered a headline EPS beat but a guidance-driven sell-off. Q2 revenue of \$3,274M grew 2.3% YoY (2% on an adjusted basis, ex-FX/commodities), roughly matching the ~\$3.3B consensus, while adjusted EBITDA rose to \$613M (18.7% margin) from \$547M (17.1%) a year earlier. Adjusted EPS of \$1.63 beat the \$1.42 consensus by \$0.21 (14.8%), aided by higher operating income, share repurchases, and a \$44M gain on debt extinguishment. Aptiv does not pay a dividend. This was the company's first quarter reporting as “New Aptiv” following the April 1, 2026 spin-off of its Electrical Distribution Systems segment into Versigent PLC. Near-Term Sentiment: Bearish (guidance cut and China structural weakness outweighed the earnings beat; two sell-side downgrades followed the print).

Why

Revenue growth was driven entirely by non-automotive markets (+12% YoY) and North America (+10%), which offset a 1% decline in automotive revenue, an 8% decline in Europe (luxury OEM volume pressure), and mixed China results (local OEM revenue +5% but production cuts a 3% headwind vs. plan). By segment, Engineered Components grew 3% (double-digit non-auto growth in industrials and aerospace/defense) while Intelligent Systems was flat, as software/services strength was offset by European OEM weakness and

a North American supplier-fire disruption. Adjusted EBITDA margin expanded 10bps to 18.7% (on management's pro forma comparison basis), driven by volume flow-through, favourable timing of engineering recoveries, and cost performance initiatives that more than offset stranded costs from the EDS separation and a 30bps FX/commodity headwind. Segment margins diverged sharply: Engineered Components EBITDA margin rose 100bps to 22.4% on volume leverage and recovery timing, while Intelligent Systems margin fell 120bps to 14.0% on non-auto investment spend and stranded costs. Below the line, interest expense fell to \$62M (from \$92M) on debt paydown following the \$1.9B Versigent spin dividend, while a \$44M gain on extinguishment of debt boosted adjusted net income; separation costs of \$18M (adjusted EBITDA) and ~\$70M of cash separation costs weighed on free cash flow, which was a \$33M outflow for the quarter.

What Happens Next

Forward Guidance

- **FY2026 Revenue:** \$12.6B–\$12.8B (~2% adjusted growth at the midpoint of \$12.7B)
- **FY2026 Adjusted EPS:** \$5.60–\$5.80 (midpoint \$5.70)
- **FY2026 Adjusted EBITDA Margin:** 18.4% at the midpoint (vs. 17.5% YTD 2026); FY2026 free cash flow guided to \$625M–\$725M
- **Q3 2026 Guidance:** revenue \$3.12B–\$3.22B (+1% adjusted); EPS \$1.25–\$1.35 (midpoint \$1.30)

Guidance vs. Prior & Consensus

LOWERED: FY2026 revenue guidance was cut by \$300M at the midpoint (from ~\$13.0B), with management citing \$150M from China production schedule changes (local OEMs and European exporters), \$100M from program launch/ramp delays, and \$50M from software/enterprise sales timing. FY2026 revenue guidance of \$12.6–\$12.8B is now BELOW the prior Street consensus of ~\$13.3B, and FY2026 adjusted EPS guidance of \$5.60–\$5.80 is BELOW the ~\$5.91 consensus (and below Aptiv's own prior EPS guidance range of \$5.70–\$6.10). Q3 guidance is materially below Street: revenue midpoint of \$3.17B vs. \$3.3B consensus, and EPS midpoint of \$1.30 vs. \$1.60 consensus.

Stock Price Reaction (day of results, released pre-market)

APTIV shares opened sharply lower and continued falling through the session, closing down 16.0% (–\$9.18) at \$48.05 on August 4, 2026, near the stock's 52-week low - with intraday declines reported as steep as –17.2%. The move was entirely company-specific: the S&P 500, Dow, and Nasdaq all traded flat-to-higher that day. The market's focus was squarely on the magnitude of the guidance cut and China exposure rather than the EPS beat or revenue in-line print.

Analyst Sentiment

- **Bulls:** Seeking Alpha reiterated a Buy (PT cut to \$80) citing an attractive sub-8x P/E, continued buyback commitment, and early robotics/drone commercial traction; RBC Capital Markets (Outperform, PT cut to \$78) and Citi (Buy, PT cut to \$77) also stayed constructive.
- **Bears:** Morgan Stanley downgraded to Equal Weight from Overweight (PT cut to \$55 from \$71), and Deutsche Bank downgraded to Hold from Buy (PT cut to \$56 from \$75), both flagging China as a structural rather than cyclical headwind; Deutsche Bank's Edison Yu said Aptiv has entered “show-me” territory on growth resiliency.
- **Net Sentiment:** Net Bearish-to-Neutral - the sell-side is split on valuation support (average price target ~\$77–80, implying material upside from \$48) versus a genuine reassessment of China's structural drag on the auto franchise.

Key Positives, Negatives, Risks, and Concerns

Positives: non-automotive revenue growth of 12% and \$10B of year-to-date bookings (on track for \$20B full-year) demonstrate real progress diversifying away from cyclical auto exposure, headlined by the first commercial drone award (>\$500M lifetime value) and expanding robotics/NVIDIA Edge AI partnerships; the EPS beat, 10bps of EBITDA margin expansion, and continued capital returns (\$325M of buybacks YTD, >50% of FCF targeted) underscore operational execution and balance sheet discipline following the EDS spin-off. **Negatives:** the \$300M FY2026 revenue guidance cut and disproportionate ~120bps margin compression in Intelligent Systems reflect a business still absorbing stranded costs and non-auto investment spend ahead of revenue payoff, while Q2 free cash flow was negative \$33M (largely EDS separation costs) despite healthy EBITDA, raising near-term cash conversion questions. **Risks and Concerns:** China domestic auto demand (retail sales down ~20%) is the dominant swing factor, and management's own

commentary suggests limited visibility into a 2027 recovery; a mismatch between rapidly growing China local-OEM bookings (+30% YTD for export programs) and revenue that remains skewed toward the shrinking domestic mix could persist for several more quarters; and the \$50M software/enterprise timing shortfall, if it recurs, would pressure Q4 guidance given the business's naturally lumpy, high-decremental-margin profile.

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Arcadis N.V. - Q2 & H1 2026 Earnings

Euronext Amsterdam: ARCAD | Results released 30 July 2026 (pre-market; earnings call/webcast same day, 14:00 CET)

Executive Summary

- Q2 2026 net revenue of €974m rose 1% reported (+2.2% organic) and Operating EBITA margin improved 10bps YoY to 11.4%, with H1 organic growth accelerating to 1.5% from -0.1% a year earlier.
- Order intake surged 13.5% organically to €1.1bn in Q2 (second straight quarter above €1bn), lifting backlog to a record €4.0bn (+6.7% organic YoY) on a 1.13x book-to-bill.
- FY2026 organic net revenue growth guidance RAISED from flat to low-single-digit - above the ~1.3% analyst consensus - while margin guidance was AFFIRMED at 11.7%-12.0%, broadly in line with the ~11.8% consensus.
- The same day, Arcadis' boards unanimously rejected WSP Global's revised €51.50/share cash-and-stock takeover proposal, citing fundamental undervaluation and a large (~50%) WSP stock component.
- Shares fell 5.0% to €39.90 (day of results) from a €42.00 prior close, as investors weighed rising restructuring costs and an unchanged margin target against the growth upgrade and WSP rejection; Jefferies reiterated Buy with a €48.00 target.
- Unveiled 2027-2029 strategy targeting mid-single-digit organic growth and mid-to-high-teens Operating EBITDA margin by 2029, shifting to Operating EBITDA as the primary KPI and reorganizing around four industries (from three Global Business Areas).
- Balance sheet remains investment-grade (net debt/EBITDA ~2.1x); bolt-on SATEL Iberia (power/data-center engineering) acquisition and a small Nomic AI investment announced alongside results.
- NEAR-TERM OUTLOOK: Neutral, tilted constructive. Record backlog and accelerating order intake support H2 acceleration, but Places/Property & Investment weakness and margin-timing execution risk warrant monitoring. Monitor: further WSP approaches; pace of H2 cost-out delivery.

What Happened

Metric (Q2 2026)	Q2 2026	Q2 2025	YoY Change	vs. Consensus
Net revenue	€974m	€965m	+1% rptd / +2.2% organic	No formal print; above ~1.3% growth consensus
Operating profit (EBITA, reported)	€86m	€100m	-14%	-
Operating EBITA (excl. one-offs)	€111m	€109m	+2% (margin 11.4% vs 11.3%)	Broadly in line
Net income (GAAP)	€53m	€63m	-16%	-
Net income from operations (Nlfo)	€58m	€69m	-16%	-
Nlfo per share (H1, only period disclosed)	€1.30	€1.35	-4%	-

Summary: Q2 results were mixed at the headline level - reported EBITA (-14%) and net income (-16%) declined YoY as non-operating/restructuring costs nearly tripled to €25m in the quarter - but underlying operating momentum improved meaningfully, with organic net revenue growth stepping up to 2.2% (Q1'26: 0.8%) and order intake/backlog both hitting records. Arcadis does not publish

against a single blended consensus print each quarter, and coverage of the release noted no formal EPS/revenue forecast accompanied the results, so a clean beat/miss cannot be calculated; however, the raised FY guidance came in above the ~1.3% consensus organic growth estimate, while margin guidance was affirmed roughly in line with the ~11.8% consensus. Resilience (38% of net revenue) led growth at +6.9% organically in Q2, while Places (35%) continued to contract organically (-1.7%) on Property & Investment weakness in Canada/China, though this was a sequential improvement from -3.9% in H1.

Near-term sentiment: Neutral (mixed - record order intake/backlog and the guidance raise are constructive, but reported profit declines, an unchanged margin target despite the growth upgrade, and the WSP rejection drove a negative same-day stock reaction).

Why

Q2 organic net revenue growth of 2.2% (H1: 1.5%) was driven by Resilience (+6.9% organically; 38% of net revenue), where US water infrastructure grew 15% YoY, UK AMP8 programs ramped up, and German grid-expansion projects grew over 25% YoY; Mobility grew a modest 1.1% organically in Q2 as UK project wind-downs offset strength in North American, German and Dutch rail and highways; Places net revenue fell 1.7% organically as the Property & Investment business in Canada and China remained a drag, even as data-center, US pharma and semiconductor demand improved sequentially (book-to-bill 1.16x). Reported profitability weakened even as underlying margins improved: Operating EBITA margin (which excludes restructuring/M&A costs) rose 10bps YoY to 11.4% (Q2'25: 11.3%) on portfolio-mix improvement and cost discipline, but headline EBITA fell 14% to €86m and net income fell 16% to €53m because non-operating/restructuring costs almost tripled YoY to €25m in the quarter (€40m in H1 vs €31m in H1'25) as management accelerated headcount actions (~450 people cut in H1, split between ~300 business rightsizing and ~150 corporate overhead). Below the line, H1 net finance expense was flat YoY at €21m (gross interest income and expense both rose on notional cash-pool restructuring, netting to a similar result), while the effective tax rate improved to 28.9% from 30.0%. There were no other material one-off items beyond the announced restructuring, integration and M&A costs tied to the 2025 KUA Group and AMG (WSP Infrastructure Engineering) acquisitions.

What Happens Next

Forward Guidance

- FY2026 organic net revenue growth: low-single-digit (raised from flat)
- FY2026 Operating EBITA margin: 11.7%-12.0% (reaffirmed); implies Operating EBITDA margin of 14.3%-14.6%
- 2027-2029: mid-single-digit organic net revenue growth over the cycle; Operating EBITDA margin (new primary KPI from 1 Jan 2027) targeted at mid-to-high-teens by 2029

Guidance vs. Consensus & Change from Prior Guidance

- FY2026 organic growth guidance of low-single-digit is ABOVE the ~1.3% analyst consensus cited in post-results coverage; margin guidance of 11.7%-12.0% is broadly IN LINE with the ~11.8% consensus.
- RAISED FY2026 organic net revenue growth guidance from flat (0%) to low-single-digit; margin guidance AFFIRMED unchanged at 11.7%-12.0%.

Key Assumptions

- Record backlog (€4.0bn, +6.7% organic YoY) and a strong H2 pipeline in Germany and North America underpin growth acceleration
- Non-operating/restructuring costs guided up to €60-70m for FY26 (from €40m in H1), funding further headcount rightsizing expected to deliver a 40-50bps FY26 margin benefit
- Capex reduced to €20-30m/year (from €40-50m) via laptop leasing and tighter office-footprint discipline
- UK AMP8 water ramp-up and the German energy-grid pipeline continue through H2 and into the 2027-2029 plan
- Capital allocation remains bolt-on only (SATEL Iberia, Nomic); 30-40% NIfO dividend payout and a 1.5-2.5x net debt/EBITDA leverage target maintained; no transformational M&A assumed

Stock Price Reaction (day of results)

Shares fell 5.0% to €39.90 on the day of results (Euronext Amsterdam; the press release was published before the market open, with

the earnings call/webcast held at 14:00 CET the same day), down from a €42.00 previous close and within a €39.90-€43.04 day range; the stock remains inside its 52-week range of €25.88-€51.25. Coverage of the release attributed the decline to investors “weigh[ing] restructuring costs against an unchanged margin target,” even as order intake and backlog hit records. Jefferies reiterated its Buy rating with a €48.00 price target, noting WSP's rejected bid valued Arcadis at 12.0x FY2026 EV/EBIT - “in line with its historical valuation, and a 6% discount to peers” - implying the sell-off left the standalone equity story under-appreciated relative to sell-side views.

Analyst Sentiment

Bulls point to record backlog, accelerating order intake (+13.5% organically) and the WSP rejection preserving standalone upside toward Jefferies' €48 target. Bears flag the unchanged margin target despite the growth upgrade, rising restructuring costs (€60-70m FY guided vs €40m in H1), and continued Places/Property & Investment weakness as reasons for caution. Net sentiment: Neutral, tilted cautiously constructive - consensus recommendations skew Buy/Outperform (average rating ~2.0 on a 1-5 scale, average 12-month price target clustered around €44-45), but the same-day price reaction was negative.

Key Positives, Negatives, Risks & Concerns

Key Positives

- Record order intake (+13.5% organic in Q2) and record backlog (€4.0bn, +6.7% organic) provide unusually strong H2/FY2027 revenue visibility
- Operating EBITA margin expanded 10bps YoY despite continued growth investment, evidencing early payoff from the cost-out/rightsizing program (40-50bps FY26 margin benefit guided)
- Boards' unanimous rejection of WSP's €51.50/share proposal removes near-term takeover overhang while management reiterated a credible standalone plan (mid-single-digit growth, mid-to-high-teens EBITDA margin by 2029)

Key Negatives

- Reported EBITA (-14%) and net income (-16%) fell YoY as non-operating/restructuring costs nearly tripled to €25m in the quarter
- Places (35% of net revenue) remains in organic decline (-1.7% Q2, -3.9% H1) with Property & Investment in Canada/China still a drag on margin (H1 Places Operating EBITA margin 7.4% vs 8.9% prior year)
- Free cash flow was more negative YoY (-€149m H1 vs -€136m) on higher working-capital investment, even as net working capital as a % of revenue improved to 12.2% from 13.4%

Material Risks & Concerns

- WSP could return with a further unsolicited approach, creating renewed valuation and strategic uncertainty
- FY margin guidance implies a substantial H2 step-up (H1: 11.2% Operating EBITA margin vs FY guide of 11.7%-12.0%) that depends on cost actions “falling to the bottom line” on the timeline management describes - a point ABN AMRO's analyst pressed management on during the call
- Mobility's H2 order-to-revenue conversion depends on large-project mobilization timing (e.g., Washwood Heath, Fraser River Tunnel, Torrens to Darlington, Hudson Tunnel) that could slip, as already seen in Q2 utilization

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AstraZeneca PLC (AZN) - Q2 2026 Earnings Analysis

Quarter ended 30 June 2026 | Results published 27 July 2026 |

Executive Summary

- Q2 2026 revenue of \$15.38bn (+6% actual, +5% CER) was in line with Street consensus (~\$15.39bn); core EPS of \$2.63 (+21% actual, +18% CER) beat consensus of \$2.48 by ~6%.
- Oncology remained the growth engine, up 16% (15% CER) to \$7.33bn in the quarter, led by Enhertu (+31%), Imfinzi (+27%) and Calquence, which topped \$1bn in quarterly revenue for the first time.
- Guidance REAFFIRMED: mid-to-high single-digit FY2026 revenue growth and low double-digit core EPS growth (CER), plus the \$80bn 2030 revenue ambition; peak sales guidance raised for tozorakimab (to >\$5bn) and initiated for sonesitatug vedotin (\$3bn-\$5bn) on positive Phase III data.
- Farxiga's US loss of exclusivity accelerated (US sales -48% CER) and China revenue fell 13% CER on volume-based procurement, driving an 8-15% CVRM revenue decline in H1/Q2.
- Balance sheet remains solid (net debt \$26.9bn, up \$3.5bn in H1 on \$3.3bn of BD payments to CSPC/Dizal/Sino Biopharmaceutical); interim dividend raised 3 cents to \$1.06/share.
- Shares rose ~1.7% intraday on the day of results but remain down ~7-8% year-to-date following the July 9 Wainua (CARDIO-TTRansform) Phase III miss.
- NEAR-TERM OUTLOOK: Neutral-to-Bullish, underpinned by broad pipeline delivery (six positive Phase III readouts in H1; 25 more expected over 18 months). Monitor: China pricing pressure and H2 binary readouts (SERENA-4, AVANZAR).

What Happened

Metric	Q2 2026	Q2 2025	YoY Change	vs. Consensus
Revenue	\$15,384m	\$14,457m	+6% (+5% CER)	In-line (~\$15.39bn est.)
Operating Profit - Core	\$5,158m	~\$4,605m	+12% (+10% CER)	n/a
Operating Profit - Reported	\$3,164m	\$3,508m	-10% (-13% CER)	n/a
Net Income (GAAP)	\$2,508m	\$2,448m	+2%	n/a
EPS - Core (Adjusted)	\$2.63	~\$2.17	+21% (+18% CER)	Beat (\$2.48 est., +6%)
EPS - Reported (diluted)	\$1.61	\$1.58	+2% (-2% CER)	n/a
Dividend per Share (H1 interim)	\$1.06	\$1.03	+3%	n/a

Summary: Revenue landed essentially in line with Street expectations at \$15.38bn, while core EPS of \$2.63 comfortably beat the \$2.48 consensus, driven by Oncology strength and better-than-feared cost leverage despite continued pipeline investment. Reported operating profit fell 10% year-on-year, reflecting a \$345m intangible-asset impairment and higher restructuring/amortisation charges captured only in "Reported" results - masking underlying Core operating profit growth of 12%. Cancer drug sales rose 15-16% and Rare Disease grew 8-9% in the quarter, while China revenue declined 7-13% on continuing volume-based procurement effects.

Near-term sentiment: Neutral-to-Bullish (driven by the EPS beat, tozorakimab/sone-ve peak sales upgrades, and reaffirmed guidance), tempered by the ongoing Farxiga loss-of-exclusivity and China headwinds.

Why

Revenue growth was driven almost entirely by Oncology (+16% actual, +15% CER in Q2) - Enhertu (+31%), Imfinzi (+27%, on new GI/GU launches MATTERHORN and NIAGARA) and Calquence (+17%, its first \$1bn quarter) - together with continued Respiratory & Immunology momentum (Fasenra +14%, Tezspire +46%, Breztri +22%). This offset a 15-18% decline in Cardiovascular, Renal & Metabolism revenue as Farxiga faced its first full quarter of US generic competition (US sales down 48% CER) alongside China VBP

pressure (China Total Revenue -13% CER) and a 62-64% collapse in Brilinta sales post-loss-of-exclusivity. Core gross margin improved roughly 100bps to 84% on favourable geographic and product mix. Core R&D expense rose 5% CER (24% of revenue), reflecting expanded late-stage trials (elecoglipron's five-trial Phase III programme, plus newly acquired assets from the CSPC, Dizal and Sino Biopharmaceutical business-development deals) and \$345m of impairment charges against products in development recorded within Reported R&D expense - the principal driver of the gap between Reported (-10%) and Core (+12%) operating profit growth. Core SG&A grew 4% CER on launch investment behind Baxfendy and pre-launch spend for tozorakimab. The Core tax rate fell 6pp to 15%, aided by a one-time deferred tax asset adjustment from internal legal-entity changes, which flattered EPS growth relative to operating profit growth.

What Happens Next

Forward Guidance: FY2026 total revenue growth of a mid-to-high single-digit percentage (CER); FY2026 core EPS growth of a low double-digit percentage (CER); Core tax rate guided at 18-22%.

Guidance vs. Consensus: AFFIRMED - unchanged from prior guidance and in line with prevailing analyst consensus (per Morningstar and Hargreaves Lansdown research), with no change to the \$80bn 2030 revenue ambition.

Change from Prior Guidance: Guidance was reaffirmed rather than raised or lowered, despite the July 9 Wainua (CARDIO-TTTransform) Phase III miss; management stated the setback is fully absorbed within the risk-adjusted 2030 plan. Separately, peak sales guidance for tozorakimab was raised to >\$5bn (from \$3bn-\$5bn), and first-ever peak sales guidance of \$3bn-\$5bn was issued for sonesitug vedotin (sone-ve) following positive CLARITY-Gastric01 data.

Key Assumptions: (1) Farxiga/Brilinta loss-of-exclusivity drag intensifies further into H2; (2) China VBP/NRDL dynamics stabilise as new launches (Fasenra, Breztri) offset older-brand erosion; (3) the 25 additional Phase III readouts expected over the next 18 months land at or above management's ~60% aggregate probability-of-success assumption; (4) no incremental large M&A is required to hit the 2030 target, per CEO Pascal Soriot; (5) FX is broadly neutral-to-slightly-positive to FY guidance if H2 rates hold at June 2026 levels.

Stock Price Reaction: Shares rose approximately 1.7% intraday in London on the day of results (27 July, released pre-market UK time) - a modest positive reaction to the EPS beat and reaffirmed guidance - though AZN remains down roughly 7-8% year-to-date in 2026 following the Wainua trial miss earlier in the month. Morningstar analyst Jay Lee maintained his GBX 13,500 fair value estimate and a three-star "Fairly Valued" rating, noting the tozorakimab/sone-ve upgrades "more than offset" the Wainua disappointment. Hargreaves Lansdown characterised the quarter as trading and guidance "in-line," while a Seeking Alpha analyst cautioned that "the Farxiga risk takes center stage, especially as revenue growth is just adequate."

Analyst Sentiment: Bulls point to Oncology depth, the sone-ve and tozorakimab peak-sales upgrades, and a 25-readout catalyst path over the next 18 months as underappreciated, with JPMorgan reaffirming confidence in the 2030 target. Bears counter that "just adequate" revenue growth leaves little room for error as Farxiga's decline accelerates and China remains a drag. Net sentiment: Neutral-to-Bullish.

Key Positives, Negatives, Risks, and Concerns

- **Positives:** Oncology and Respiratory & Immunology delivered double-digit growth, with six positive Phase III readouts in H1 (including CLARITY-Gastric01 and OBERON/TITANIA) prompting peak-sales upgrades for sone-ve and tozorakimab.
- The balance sheet remains investment-grade with \$9.8bn of financial resources and no financial covenants; core EPS beat consensus by 6% alongside 2pp of core operating margin expansion to 34%.
- **Negatives:** Reported operating profit fell 10% on a \$345m impairment charge and higher amortisation; Farxiga's US loss of exclusivity and China VBP drove an 8-15% CVRM revenue decline.
- The Wainua CARDIO-TTTransform trial failed its primary endpoint, and Ultomiris also missed its primary endpoint in adult HSCT-TMA, raising pipeline execution questions.
- **Risks & Concerns:** Continued loss-of-exclusivity erosion in Farxiga/Brilinta could outpace new-launch offsets into H2, and the US Federal Circuit invalidated key Tagrisso patents in July 2026 amid multiple other open patent/commercial disputes.
- US most-favoured-nation pricing reform continues to compress US list prices while requiring higher ex-US pricing, and upcoming binary readouts (SERENA-4, AVANZAR in H2 2026) carry material share-price sensitivity in either direction.

Autodesk, Inc. (NASDAQ: ADSK)

Q2 Fiscal Year 2027 Earnings Analysis - Quarter Ended July 31, 2026

Executive Summary

- Q2 FY27 beat across the board: revenue \$2,046m (+16.0% YoY, beat \$2,012m consensus by 1.7%); non-GAAP EPS \$3.30 (+26.0% YoY, beat \$3.12 consensus by \$0.18 / 5.8%).
- GAAP operating margin expanded 400 bps YoY to 29%; non-GAAP operating margin rose 200 bps to 41%, driven by lower stock-based compensation and sales-optimization leverage.
- Enterprise win of note: one of the world's largest retailers selected Autodesk Forma and Tandem as its common data environment and digital-twin platform across its North American portfolio.
- FY27 billings/revenue guidance RAISED to \$8.575–\$8.65bn / \$8.295–\$8.345bn (revenue midpoint \$8.32bn, above the \$8.21bn consensus), but GAAP operating margin guidance LOWERED ~100 bps to 25%–27% on MaintainX dilution, and Q3 non-GAAP EPS guide (\$3.04–\$3.09) came in BELOW the \$3.14 consensus.
- Stock fell 3.7% (\$270.58 → \$260.66) the day after results (released post-close) as the softer Q3 EPS guide and MaintainX-related margin dilution overshadowed the Q2 beat; several analysts nonetheless raised price targets (UBS to \$325, Baird to \$325, BMO to \$283).
- Balance sheet remains strong: free cash flow +24% YoY to \$561m; \$453m returned to shareholders via buybacks in the quarter; cash and equivalents of \$4.10bn.
- NEAR-TERM OUTLOOK: Neutral. Underlying subscription business (renewals, AECO, construction) is executing well, but the market is focused on MaintainX integration costs and margin dilution through FY27–FY28. Monitor: pace of MaintainX profitability improvement and Q4 FY27 EBA renewal cohort execution.

What Happened

Metric	Q2 FY27	Q2 FY26	YoY Change	vs. Consensus
Revenue	\$2,046m	\$1,763m	+16.0%	Beat (\$2,012m est.)
Operating Profit (GAAP)	\$599m	\$444m	+34.9%	Not disclosed
Net Income (GAAP)	\$492m	\$313m	+57.2%	Not disclosed
Net Income (Adjusted)	~\$696m	~\$561m	+24.1%	Not disclosed
EPS (Adjusted, diluted)	\$3.30	\$2.62	+26.0%	Beat (\$3.12 est.)

Autodesk delivered a clean top- and bottom-line beat, with revenue of \$2,046m (+16% reported, +14% constant currency) topping the \$2,012m consensus estimate by 1.7%, and non-GAAP diluted EPS of \$3.30 beating the \$3.12 consensus by \$0.18 (5.8%). Subscription revenue grew 17% YoY, ahead of the Street's 14.5% estimate, on stronger-than-expected renewal rates and billings linearity. GAAP net income more than doubled the pace of revenue growth, rising 57.2% YoY to \$492m, aided by margin expansion and a lower effective tax impact. Current remaining performance obligations (cRPO) growth slowed to 12% from 18–20% in recent quarters, reflecting Autodesk's deliberate reduction of multi-year contract discounting rather than demand weakness.

Near-Term Sentiment: Neutral to mildly Bearish (driven by the softer Q3 EPS guide and MaintainX margin dilution concerns, despite the clean Q2 beat and raised full-year revenue outlook).

Why

Revenue growth was broad-based: Design product family revenue rose 16% (AECO +17%, AutoCAD/AutoCAD LT +14%), and Make revenue rose 26%, while all three geographies grew double digits (EMEA +19%, Americas +14%, APAC +14%). Management estimates the new transaction model contributed roughly 2 percentage points of the 16% revenue growth, down from 3.5 points in Q1, as the transition to annual billings largely concludes. The standout strategic driver was construction, which continues to grow north of 20% as customers adopt Autodesk's converged design-make-operate platform - evidenced by the quarter's large enterprise win with a global retailer standardising on Forma and Tandem for a portfolio-wide digital twin.

GAAP operating margin expanded 400 bps YoY to 29%, primarily reflecting underlying margin improvement and a further reduction in stock-based compensation as a percentage of revenue (targeted at ~9% of revenue in FY27, down from ~11% in FY26); non-GAAP operating margin rose 200 bps to 41% on operating leverage and go-to-market/sales-reorganisation savings. The one material offsetting item is the MaintainX acquisition, which closed August 3, 2026: it is expected to be non-GAAP margin dilutive (embedded in the unchanged ~39% FY27 non-GAAP operating margin guide) and reduced FY27 GAAP operating margin guidance by roughly 100 bps, since MaintainX itself remains unprofitable despite its high growth rate.

What Happens Next

Forward Guidance (FY27, includes ~six months of MaintainX):

- Revenue: \$8.295bn–\$8.345bn (raised from \$8.155bn–\$8.215bn); Billings: \$8.575bn–\$8.65bn
- Non-GAAP EPS: \$12.52–\$12.60; GAAP EPS: \$7.89–\$8.72 (down ~\$0.05 at the midpoint from prior guidance)
- Non-GAAP operating margin: ~39% (unchanged); GAAP operating margin: 25%–27% (down ~100 bps from 26%–28% prior, on MaintainX dilution); Free cash flow: \$2.725bn–\$2.75bn (narrowed)

Guidance vs. Prior & Consensus: RAISED FY27 revenue guidance, with the \$8.32bn midpoint above the \$8.21bn analyst consensus; Q3 FY27 revenue guide of \$2.125–\$2.140bn is also above the \$2.08bn consensus. However, Q3 non-GAAP EPS guidance of \$3.04–\$3.09 is BELOW the \$3.14 consensus, and FY27 non-GAAP EPS guidance of \$12.52–\$12.60 is roughly in line with the \$12.60 consensus at the top end - the mixed signal (top-line raise, near-term EPS softness) is the key driver of the post-earnings share price reaction.

Stock Price Reaction (day after results, released post-close Thursday, August 27, 2026): ADSK shares fell 3.7% (–\$9.92) from Wednesday's close of \$270.58 to \$260.66 on Friday, August 28, after initially trading down as much as ~5% pre-market and intraday. Simply Wall St noted shares “fell 3.7% today to close near US\$260” despite one of the company's “cleanest profitability stories in years,” while Yahoo Finance/StockStory attributed the decline to “full-year adjusted earnings guidance whose midpoint trailed analyst forecasts despite reporting second-quarter results that topped estimates.”

Analyst Sentiment: Bulls point to the raised FY27 revenue outlook, resilient renewal rates, and MaintainX's long-term potential to extend Autodesk's platform into real-world operations data for AI training (Morningstar: wide-moat, \$268 fair value, shares “fairly valued”). Bears flag near-term GAAP margin dilution from MaintainX integration, decelerating cRPO growth, and the softer Q3 EPS guide. Net sentiment is Neutral: several sell-side desks raised price targets post-print (UBS to \$325, Baird to \$325, BMO to \$283, Guggenheim to \$283, Citi to \$276) even as the stock itself declined, suggesting the sell-off is viewed as a near-term guidance-driven reaction rather than a thesis-changing event.

Key Positives, Negatives, Risks, and Concerns

Key Positives

- Revenue and EPS beat consensus with broad-based double-digit growth across all product families and geographies; construction segment growing >20%.
- Major enterprise digital-twin win (Forma + Tandem) with a top global retailer validates the converged design-make-operate platform strategy.
- Strong cash generation (\$561m FCF, +24% YoY) and continued capital return (\$453m of buybacks in the quarter).

Key Negatives

- Q3 FY27 non-GAAP EPS guidance of \$3.04–\$3.09 came in below the \$3.14 consensus, triggering the post-earnings decline.

- FY27 GAAP operating margin guidance lowered ~100 bps to 25%–27% on MaintainX-related dilution.
- cRPO growth decelerated sharply to 12% from 18–20% in recent quarters, and unbilled deferred revenue fell 8% YoY, as multi-year discounting is wound down.

Material Risks

- MaintainX integration risk: a high-growth but still-unprofitable business that will dilute operating margin through FY27 and into FY28 before annualised synergies materialise.
- Western Europe new-business productivity is normalising more slowly than the Americas, APAC, Eastern Europe, and the Middle East.
- FY27's largest EBA renewal cohort is concentrated in Q4, creating both a tough prior-year comparison and near-term execution risk.

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Barry Callebaut AG

Q3 FY2025/26 Trading Update - 9-Month Key Sales Figures

Period ended 31 May 2026 | Released 9 July 2026

Executive Summary

- Group volume returned to growth in Q3 (+5.7%), the first positive quarter in over two years and ahead of company-compiled consensus, though nine-month volume remained down 2.8% at 1,557,239 tonnes.
- Global Cocoa volume surged 18.0% in Q3 (nine-month: -4.9%) on rebounding demand following the earlier cocoa price correction; Global Chocolate also turned positive (+3.2%), led by AMEA (+10.3% nine-month) and improving North America service levels.
- Nine-month sales revenue fell to CHF 9,557.1m, down 9.5% in local currencies (-12.7% in CHF), reflecting the pass-through of sharply lower cocoa bean prices (average bean prices -47% year-on-year) rather than weaker demand.
- FY 2025/26 volume guidance narrowed to the upper end of the prior -1% to -3% range (around -1%); profitability guidance was AFFIRMED unchanged at a mid-teens recurring EBIT decline, disappointing hopes that the volume beat would flow through to profit.
- Shares fell -1.6% to CHF 1,165 on the day of results (9 July), as investors focused on unchanged EBIT guidance; Barclays (Underweight, PT CHF 1,020) questioned how much of the rebound reflects restocking versus genuine demand recovery.
- Balance sheet actions continued: a EUR 849m bond buyback completed in June (2028/2029/2031 notes) supports the path to <3.0x net debt/EBITDA recurring, at an upfront cost of ~CHF 15m in FY26.
- Morningstar reiterated its CHF 1,350 fair value estimate (Wide Moat, High Uncertainty); shares trade in 3-star territory, roughly 15% below fair value, with sell-side consensus at Hold.
- NEAR-TERM OUTLOOK: Neutral to cautiously constructive on volume, Bearish on near-term profitability. Monitor: sustainability of the Q3 volume rebound (restocking vs. real demand) and H2 cocoa cost/margin normalization.

What Happened

Note: Barry Callebaut discloses full income-statement detail (EBIT, net income, EPS, dividends) only at half-year and full-year; the Q1 and Q3 releases are volume/revenue trading updates. The table below reflects what was disclosed for the nine months ended 31 May 2026.

Metric	9M FY25/26	9M FY24/25	YoY Change	vs. Consensus
Group sales volume (tonnes)	1,557,239	1,602,458	-2.8%	Q3 alone +5.7%, ahead of consensus
Group sales revenue (CHF m)	9,557.1	10,946.7	-12.7% CHF / -9.5% LC	In line - decline expected on cocoa pass-through
Global Chocolate volume (t)	1,270,263	1,300,760	-2.3%	Q3 +3.2% vs. market -4.4%
Global Cocoa volume (t)	286,976	301,698	-4.9%	Q3 +18.0%
EBIT (recurring, FY26 guide)	Mid-teens % decline (guided)	-	Reiterated	In line, unchanged
Net Income / EPS / DPS	Not disclosed at 9M	-	-	-

Summary: Barry Callebaut's nine-month update showed a genuine inflection in volumes, with Q3 group volume growth of 5.7% - the first positive quarter in over two years - beating both the company's house-broker forecast and compiled consensus. Nine-month volume nonetheless remained down 2.8% and revenue fell 12.7% in CHF terms, entirely a function of cocoa bean-linked pricing pass-through following a 47% year-on-year decline in average bean prices, not underlying demand. FY26 volume guidance was tightened to

the upper end of the prior range, but EBIT guidance (mid-teens recurring decline) was left unchanged, which the market read as evidence that profitability has yet to catch up with the volume recovery.

Near-term sentiment: Bearish to Neutral (mixed) - the volume beat was overshadowed by unchanged profit guidance and analyst questions over the durability of the Q3 rebound, driving a same-day share price decline.

Why

Revenue drivers: The 9.5% local-currency revenue decline was almost entirely a pricing effect - average cocoa bean terminal prices fell 47% year-on-year (closing the period at GBP 2,954/tonne) as a second consecutive cocoa surplus materialized, and this lower cost base is passed through to customers with a lag. Volume was only modestly negative (-2.8%) and inflected sharply positive in Q3 (+5.7%), driven by a 10.3% nine-month volume gain in AMEA (China share gains, India momentum, Australia wins), a return to growth in North America as supply-chain disruption eases (nine-month still -7.6%), and an 18.0% Q3 surge in Global Cocoa volumes as customers restocked following the earlier price correction and one-off cocoa butter opportunities emerged.

Profitability: No actual EBIT, net income or margin figures were disclosed this quarter. Management reiterated guidance for a mid-teens recurring EBIT decline in local currencies for FY26, implying continued margin pressure despite the volume recovery. Key headwinds cited include short-term margin-dilutive investment to defend share in Gourmet, normalization of the outsized Global Cocoa profit contribution in H2 as trading conditions normalize, and an approximately CHF 15m upfront cost from the June bond buyback hitting profit before tax - of which the Group expects to recover roughly half of the absolute EBIT decline at the PBT level through lower ongoing financing costs.

What Happens Next

Forward Guidance (FY 2025/26):

- Volume: around -1% decline (narrowed to the upper end of the prior -1% to -3% range)
- EBIT (recurring, local currencies): mid-teens % decline (maintained)
- Net Debt/EBITDA (recurring): below 3.0x, on a working cocoa bean price assumption of ~GBP 3,000/tonne (maintained)

Guidance vs. Prior & Consensus: Volume guidance was effectively RAISED in scope (narrowed to the top of the prior -1%/-3% range), a beat versus a company-compiled consensus that had not expected the Q3 inflection. Profit guidance was AFFIRMED unchanged - the mid-teens recurring EBIT decline was reiterated rather than narrowed or improved, which fell short of what some investors had hoped for given the volume beat.

Stock Price Reaction (day of results): Barry Callebaut released the update pre-market at 09:00 CEST on 9 July 2026. Shares fell -1.6% to CHF 1,165 on the day of results, down from a previous close of CHF 1,184, extending a year-to-date total return of approximately -7.1% and trading within a 52-week range of CHF 786–1,538.

Analyst Sentiment: Bulls (Morningstar, Diana Radu, CFA - Wide Moat, Fair Value CHF 1,350, 3-star/~15% undervalued) view the volume recovery, AMEA momentum and North American stabilization as early evidence that the “Focus for Growth” overhaul is taking hold, modeling EBIT margin troughing near 4.5% in FY26 before recovering to ~6% in FY27. Bears (Barclays, Underweight, PT CHF 1,020) question how much of the Q3 volume beat - concentrated in an 18% jump in Global Cocoa - reflects one-off restocking and prebuying rather than a genuine demand recovery, and flag emerging El Niño risk to the 2026/27 cocoa crop. Net sentiment is Hold/mixed, with sell-side price targets spanning CHF 1,000 to CHF 1,900.

Key Positives, Negatives, Risks, and Concerns

Key Positives:

- First positive group volume growth in over two years (Q3 +5.7%), ahead of consensus, with Global Cocoa +18.0% and AMEA +10.3% (nine-month) as standout contributors
- North America service levels are recovering after prior network disruption, turning volume positive in Q3 following a -7.6% nine-month decline
- Continued deleveraging: EUR 849m bond buyback completed in June, with <3.0x net debt/EBITDA recurring guidance maintained, supporting balance sheet resilience

Key Negatives:

- Profitability guidance unchanged despite the volume beat - mid-teens recurring EBIT decline reiterated, with Morningstar modeling a further 30bps margin decline to 4.5% in FY26

- Nine-month revenue still down 12.7% in CHF terms as cocoa-linked pricing pass-through continues to weigh on the top line
- Gourmet remains under intense competitive pressure in a declining cocoa-price environment, requiring further short-term, margin-dilutive investment

Material Risks:

- Uncertainty over whether the Q3 volume rebound reflects genuine demand recovery or one-off customer restocking/prebuying - the central bear case (Barclays)
- Cocoa market volatility: spot prices have already rebounded to ~GBP 4,400/tonne from 2025/26 surplus lows, with El Niño risk threatening the 2026/27 crop
- Geographic/geopolitical exposures flagged by management: Middle East, vulnerability of the European customer base, and Türkiye hyperinflation accounting

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Boston Scientific Corporation (NYSE: BSX)

Q2 2026 Earnings Analysis | Reported July 29, 2026

Executive Summary

- Q2 2026 beat across the board: revenue \$5.442b (+7.5% reported/+7.0% organic) vs. \$5.36b consensus; adjusted EPS \$0.86 (+14.7% YoY) vs. \$0.83 consensus.
- Adjusted operating margin expanded 70 bps YoY to 28.4%, driven by gross margin gains and a \$500m cost-savings restructuring program targeting completion by 2029.
- FY2026 guidance LOWERED for the second consecutive quarter: organic revenue growth to 5.0%-6.0% and adjusted EPS to \$3.28-\$3.32, both below prior guidance and consensus.
- Stock closed essentially FLAT (-0.04%) day of results despite a violent intraday swing - opened down ~7.2%, rallied to +4.6%, then reversed to close near the prior day's level.
- Watchman (LAAC) and Electrophysiology guidance cuts are the primary drivers, reflecting a sharper-than-expected U.S. competitive and referral-pattern slowdown.
- Capital return continued: completed \$2b accelerated buyback (~40m shares); \$1.5b invested in MiRus (TAVR optionality); Penumbra acquisition (~\$14.5b) still pending H2 2026 close.
- NEAR-TERM OUTLOOK: Neutral. Broad-based ex-Watchman/EP growth (75% of revenue, +6%) supports the base business, but two consecutive guidance cuts and heavy analyst price-target reductions signal limited near-term upside. Monitor: Watchman referral trends and PFA competitive share loss into 2H26/2027.

What Happened

Metric	Q2 2026	Q2 2025	YoY	vs. Consensus
Revenue	\$5,442m	\$5,061m	+7.5%	Beat (+\$82m vs. \$5.36b)
Operating Profit (GAAP EBIT)	\$1,178m	\$819m	+43.8%	-
Operating Profit (Adjusted)	\$1,543m	\$1,399m	+10.3%	-
Net Income (GAAP)	\$907m	\$797m	+13.8%	-
Net Income (Adjusted)	\$1,275m	\$1,127m	+13.1%	-
EPS (Adjusted)	\$0.86	\$0.75	+14.7%	Beat (+\$0.03 vs. \$0.83)

Boston Scientific delivered a clean beat-and-raise-then-cut quarter: revenue and adjusted EPS both exceeded consensus (revenue by ~1.5%, EPS by \$0.03), while adjusted operating margin rose 70 bps YoY to 28.4% on gross margin expansion (adjusted gross margin +80 bps to 70.3%). GAAP figures benefited from an \$83m IEEPA tariff refund and favorable tax items. Growth was broad-based: Cardiovascular grew 7.8% organically and MedSurg grew 5.4%, with Interventional Cardiology & Vascular Therapies (+12.1%), Neuromodulation (+12.2%) and Interventional Oncology & Embolization (+11.8%) as standout performers, partially offset by Cardiac Rhythm Management (-1.6%) and soft Urology (+0.8%).

Near-Term Sentiment: Neutral (mixed signals - a clear quarterly beat was overshadowed by a second consecutive full-year guidance cut concentrated in Watchman and Electrophysiology; the stock's violent but ultimately flat trading session reflects this tension).

Why

Revenue growth of 7.0% organic was driven primarily by Interventional Cardiology (+15% within ICVT, led by AGENT drug-coated balloon and complex PCI strength), Neuromodulation (+12.2%, with a full quarter of Nalu contribution) and Interventional Oncology

(+11.8%, broad-based global demand). Watchman decelerated to +4.2% organic (U.S. +3.0%, international +17.7%) as U.S. standalone LAAC procedures declined amid new clinical evidence on stroke-risk referral patterns; Electrophysiology grew +9.1% globally but only +3.1% in the U.S. as PFA competitors (notably Medtronic, whose global PFA revenue grew 145% per Morningstar) took share.

Adjusted operating margin expanded 70 bps YoY to 28.4%, driven by gross margin gains (mix toward higher-margin ICVT/EP/Neuromodulation) partially offset by continued SG&A investment in commercial capacity and direct-to-patient Watchman initiatives. Below-the-line, GAAP results were boosted by an \$83m one-off IEEPA tariff refund (>50 bps gross margin impact) and a \$76m litigation-related charge; management also began recognizing costs tied to the newly announced \$500m restructuring program (pretax charges of \$700-800m expected through 2029), which is not yet material to Q2 results but signals future SG&A/COGS relief.

What Happens Next

Forward Guidance

- FY2026 revenue: 5.5%-6.5% reported / 5.0%-6.0% organic growth (previously guided higher entering the quarter)
- FY2026 adjusted EPS: \$3.28-\$3.32 (vs. prior guidance range provided in April)
- Q3 2026: organic revenue growth 3.0%-5.0%; adjusted EPS \$0.80-\$0.82

Guidance vs. Prior & Consensus

LOWERED for the second straight quarter: FY2026 organic growth and adjusted EPS guidance both moved down from the ranges set in April, with the new \$3.28-\$3.32 adjusted EPS range sitting below the ~\$3.36 analyst consensus reported by LSEG/Reuters ahead of the print. Q3 adjusted EPS guidance of \$0.80-\$0.82 is also below the ~\$0.84 consensus cited by the same sources, pointing to likely downward estimate revisions this week.

Stock Price Reaction (day of results, released pre-market)

BSX closed at \$46.04 on July 29, 2026, essentially FLAT (-0.04%) versus the July 28 close of \$46.06 (close-to-close, per Yahoo Finance/S&P Global data). This masked an extraordinary intraday round-trip: shares opened down ~7.2% at \$42.67 on the guidance cut, briefly rallied to +4.6% on the underlying beat, then reversed to bottom near \$42.55 (-7.6%) before recovering fully into the close - a swing of nearly 10 percentage points on volume of over 51 million shares (vs. ~19-26m in prior sessions).

Analyst Sentiment

- Bulls: Valuation support after a ~60% drawdown from the September 2025 high; UBS assumed coverage at Buy (\$74 PT, cut from \$95) citing "upside potential in shares near five-year lows," and Stifel, Oppenheimer and others retained Buy/Outperform ratings.
- Bears: Broad-based price-target cuts (e.g., JPMorgan to \$56 from \$80, BofA to \$54 from \$61, Wells Fargo to \$50 from \$55, Deutsche Bank to \$60 from \$75) reflect concern that Watchman referral softness and PFA competitive share loss persist through 2027 before an expected 2028 inflection.

Net sentiment: Neutral - a genuine operational beat is being offset by eroding confidence in the two largest growth franchises (Watchman, EP), with the market's flat close reflecting a standoff between valuation support and guidance-cut fatigue.

Key Positives, Negatives, Risks, and Concerns

Key Positives

- Clean quarterly beat on revenue and adjusted EPS with 70 bps of adjusted operating margin expansion to 28.4%.
- Ex-Watchman/EP franchises (~75% of revenue) grew ~6% and are expected to strengthen further via Urology and CRM recovery.
- Continued capital return (\$2b buyback completed) and a credible \$500m cost-savings program to fund 2028+ reinvestment.

Key Negatives

- Second consecutive FY2026 guidance cut, concentrated in Watchman and Electrophysiology, with FY EPS guidance now below consensus.
- U.S. Watchman standalone procedures declining low-teens YoY; management sees no 2027 improvement in the underlying market.
- Cardiac Rhythm Management declined 1.6% organically and Urology grew just 0.8%, both facing competitive portfolio gaps.

Material Risks

- PFA competitive intensity is accelerating (Medtronic PFA revenue +145%, Abbott EP +13%), pressuring BSX's leading U.S. EP position ahead of the FARAPULSE Ultra launch.
- Pending ~\$14.5b Penumbra acquisition (~\$11b cash-financed) adds leverage and is expected to dilute adjusted EPS by \$0.06-\$0.08 in the first year post-close.
- Restructuring execution risk: \$700-800m in pretax charges with savings partly reinvested rather than flowing fully to margin, and benefits not expected until 2027-2028.

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Cisco Systems, Inc. (NASDAQ: CSCO)

Q4 & Full-Year Fiscal 2026 Earnings Analysis

Results released: 12 August 2026 (post-market close) | Fiscal Q4 & FY2026 ended 25 July 2026

Executive Summary

- Record Q4 beat: revenue \$17.25bn (+17.6% YoY, +2.6% vs. \$16.82bn consensus); non-GAAP EPS \$1.22 (+23% YoY, beat \$1.17 consensus by \$0.05); non-GAAP operating margin expanded to 35.9% from 34.3%.
- AI infrastructure orders from hyperscalers hit \$9.3bn in FY2026 (~4.5x FY2025), with FY2027 AI revenue guided to \$7.5bn, up from ~\$4bn delivered in FY2026.
- Product orders up 35% YoY in Q4 (25% ex-hyperscalers), with networking orders up 40% - the eighth consecutive quarter of double-digit growth - evidencing a broad-based “networking supercycle.”
- FY2027 guidance issued ABOVE consensus: revenue \$72.2–\$73.4bn (~15% YoY) and non-GAAP EPS \$5.05–\$5.11 (~17% YoY), both ahead of prior Street estimates.
- Despite the beat and raise, CSCO fell 8.4% the day after results (released post-close) as Piper Sandler and others called guidance “conservative given the current demand environment,” following a stock that was up over 60% year-to-date.
- Capital returns remained robust: \$3.2bn returned to shareholders in Q4 (\$12.7bn for FY2026, 99% of free cash flow), with the dividend raised for the 15th consecutive year.
- NEAR-TERM OUTLOOK: Bullish. Cisco's AI networking/optics position and multi-year campus refresh cycle underpin durable, above-trend growth. Monitor: gross-margin pressure from hardware/memory mix and the durability of hyperscaler AI capex.

What Happened

Metric	Q4 FY2026	Q4 FY2025	YoY Change	vs. Consensus
Revenue	\$17,252M	\$14,673M	+17.6%	Beat (\$16.82B est., +2.6%)
Operating Profit (EBIT, GAAP)	\$4,264M	\$3,087M	+38.1%	-
Net Income (GAAP)	\$3,859M	\$2,550M	+51.3%	-
Net Income (Adjusted, Non-GAAP)	\$4,868M	\$3,951M	+23.2%	-
EPS (Adjusted, Non-GAAP)	\$1.22	\$0.99	+23.2%	Beat (\$1.17 est., +\$0.05)

Cisco delivered record Q4 and full-year results that topped both company guidance (\$16.7–\$16.9bn revenue, \$1.16–\$1.18 non-GAAP EPS) and Wall Street consensus. Revenue of \$17.25bn beat the ~\$16.82bn Street estimate by roughly \$430m, while non-GAAP EPS of \$1.22 exceeded the \$1.17 consensus. FY2026 revenue reached \$63.3bn (+11.8% YoY) with non-GAAP EPS of \$4.33 (+13.7% YoY), both records. Product orders grew 35% YoY with double-digit growth across every geography and customer market, led by Service Provider & Cloud orders (+95%) on hyperscaler AI demand.

Near-Term Sentiment: Bearish short-term, despite fundamentally bullish results (stock reaction driven by valuation and guidance-conservatism concerns rather than deteriorating fundamentals).

Why

Revenue growth was led by Networking, up 28% YoY to \$9.79bn, driven by triple-digit growth in AI infrastructure orders/revenue, double-digit growth in data center switching, and continued campus networking momentum (orders +20% YoY) as customers refresh aging infrastructure. Security (+14%) and Collaboration (+12%) also grew, while Services was flat. Non-GAAP total gross margin contracted 210 bps YoY to 66.3%, primarily reflecting a higher mix of lower-margin hardware and rising memory input costs tied to the AI/hyperscaler ramp, partially offset by productivity gains and high-single-digit price increases on memory-intensive products. This was more than offset by operating leverage: non-GAAP opex fell to 30.4% of revenue from 34.1%, lifting non-GAAP operating margin to 35.9% from 34.3% - management noted hyperscaler revenue requires minimal incremental expense to capture, making it highly accretive to margins despite a lower gross-margin profile. GAAP operating margin expanded even more sharply, to 24.7% from 21.0%, aided by the absence of the \$355m legal/indemnification charge taken in Q4 FY2025. Below the line, GAAP net income also benefited from an \$869m net gain on investments (vs. \$115m a year earlier). The one material one-off was \$511m of restructuring and other charges (vs. \$35m in Q4 FY2025), tied to the plan announced 13 May 2026 and expected to substantially complete during fiscal 2027.

What Happens Next

Forward Guidance

- Q1 FY2027 revenue: \$18.0bn–\$18.2bn (implies ~19–20% YoY growth)
- Q1 FY2027 EPS: GAAP \$1.08–\$1.10; Non-GAAP \$1.32–\$1.34
- FY2027 revenue: \$72.2bn–\$73.4bn (~15% YoY at midpoint)
- FY2027 EPS: GAAP \$4.00–\$4.06; Non-GAAP \$5.05–\$5.11 (~17% YoY at midpoint)
- FY2027 non-GAAP operating margin implied at ~35% (a company high-watermark) despite gross-margin headwinds from hardware mix

Guidance vs. Consensus

- Q1 FY2027 revenue guidance of \$18.0–\$18.2bn is ABOVE the ~\$16.8bn analyst consensus (LSEG) by roughly \$1.2–1.4bn; Q1 non-GAAP EPS guide of \$1.32–\$1.34 is above the ~\$1.16 consensus.
- FY2027 guidance represents Cisco's first formal full-year guide for the period; management noted AI infrastructure revenue of \$7.5bn for FY2027 is guided well above the roughly \$6bn figure the Street had been modelling earlier in 2026, though some analysts (Piper Sandler) still viewed the overall guide as conservative relative to current order momentum.

Stock Price Reaction (day after results, released post-close)

- CSCO closed at \$123.88 on 12 August 2026 (day of the post-close release) and fell to \$113.47 at the close on 13 August 2026 - a decline of 8.40% on a close-to-close basis, despite the beat-and-raise quarter.
- Shares also fell as much as 7.2% in pre-market trading; CNBC reported the sell-off came “despite earnings beat and stronger-than-expected guidance,” with Piper Sandler analysts writing that Cisco's guidance looked “conservative given the current demand environment.”

Analyst Sentiment

- Bulls: Morgan Stanley (Overweight, PT raised \$130→\$135), Rosenblatt (Buy, PT raised \$150→\$165) and KeyBanc (Overweight, PT raised \$130→\$135) all raised targets post-print, citing Cisco's differentiated silicon/optics/security stack, TSMC supply-chain access, and durable campus-refresh and AI scale-across momentum.
- Bears: Piper Sandler flagged the FY2027 guide as conservative relative to the current demand backdrop, and some investors focused on the ~210 bps non-GAAP gross-margin compression and full valuation (stock was up >60% YTD into the print) as reasons to take profits.
- Net sentiment: Bullish/constructive on fundamentals (consensus rating “Moderate Buy” to “Buy”, 12-month targets clustered \$130–\$165), though the post-earnings pullback signals the bar for a positive reaction had become very high.

Key Positives, Negatives, Risks, and Concerns

Key Positives

- Record top- and bottom-line beat with accelerating momentum: FY2026 AI infrastructure orders of \$9.3bn (~4.5x FY2025) and FY2027 AI revenue guided to \$7.5bn, up from ~\$4bn in FY2026.
- Broad-based demand: networking product orders up 40% YoY for an eighth consecutive quarter of double-digit growth, with campus refresh still described as “early” (only ~7% of the install base refreshed).
- Exceptional shareholder returns and balance-sheet strength: \$12.7bn returned in FY2026 (99% of free cash flow); dividend raised for the 15th consecutive year; direct TSMC supply relationship cited as a competitive advantage amid component tightness.

Key Negatives

- Stock fell 8.4% day-after-results despite the beat, reflecting a very high bar for a “good enough” print after a >60% YTD rally; some analysts view FY2027 guidance as conservative, which itself signals guidance-credibility questions.
- Non-GAAP gross margin compressed 210 bps YoY to 66.3% on higher hardware/memory mix, with management guiding to further gross-margin headwinds through FY2027 as hyperscaler volumes scale.
- \$511m of restructuring charges in Q4 (vs. \$35m a year earlier) signal ongoing workforce/cost-base realignment even amid record demand.

Material Risks & Concerns

- Durability of AI infrastructure capex is a key swing factor for the investment thesis; Morningstar assigns Cisco a High Uncertainty rating specifically citing dependence on hyperscaler AI spending pace.
- Competitive share-loss risk persists in security (vs. Palo Alto Networks, Fortinet) and collaboration (vs. Zoom, Microsoft), even as Cisco's core networking moat remains wide.
- Valuation is roughly balanced: Morningstar's \$115 fair value estimate sits just above the post-earnings price (~\$113), leaving limited margin of safety if AI-driven growth decelerates faster than the current 3-year forecast implies (Morningstar models AI revenue tapering from a minority driver toward 20–25% of sales only by decade-end).

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Ecolab Inc. (ECL) Q2 2026 Earnings

Reported July 28, 2026 (before market open)

Executive Summary

- Q2 revenue of \$4,415.4m (+10% reported, +5% organic) narrowly beat the ~\$4.39B consensus by ~0.5%; adjusted EPS of \$2.09 (+11% YoY) beat the \$2.08 Street estimate by \$0.01.
- Growth engines accelerated broadly: Global High-Tech organic sales +29% and Life Sciences +15%, with the newly closed CoolIT acquisition pushing High-Tech toward \$1.5B in annualized sales and a raised 2030 target of \$4B in sales at a 25% margin.
- FY2026 adjusted EPS guidance RAISED to \$8.05–\$8.25 (+7% to 10%) from \$8.03–\$8.23, bracketing the \$8.22 Street consensus; Q3 guided to \$2.13–\$2.23.
- Stock rose roughly 4%–5% on the day of results (released pre-market July 28), as investors focused on pricing power and raised guidance rather than the narrow EPS beat.
- Balance sheet stretched by M&A: cash swelled to \$5.14B on new debt raised to fund CoolIT/Ovivo, lifting net debt/adjusted EBITDA to 1.9x from 1.7x a year ago.
- Reported operating margin 17.2% (-40 bps YoY); organic operating margin 18.8% (+40 bps), with management reaffirming its >20% operating margin target for 2027.
- NEAR-TERM OUTLOOK: Bullish. Accelerating 2H pricing (5%-6%) and continued Global High-Tech/Life Sciences momentum support the double-digit EPS growth algorithm. Monitor: the ~1% Middle East volume headwind and CoolIT-related non-cash amortization/financing drag on reported EPS.

What Happened

Metric	Q2 2026	Q2 2025	YoY Change	vs. Consensus
Revenue	\$4,415.4m	\$4,025.2m	+10% (organic +5%)	Beat (~\$4.39B est., +0.5%)
Operating Profit (EBIT, reported)	\$757.9m	\$710.1m	+7%	- (Adjusted OI \$809.0m, +10%)
Net Income (GAAP)	\$534.9m	\$524.2m	+2%	-
Net Income (Adjusted)	\$589.6m	\$539.8m	+9%	-
EPS (Adjusted, diluted)	\$2.09	\$1.89	+11%	Beat (\$2.08 est., +\$0.01 / +0.5%)

Ecolab delivered an accelerating, broad-based quarter, with reported sales up 10% (organic +5%) and adjusted EPS up 11% to \$2.09, edging past consensus of \$2.08 and revenue estimates of ~\$4.39B by roughly half a percentage point each. The beat was modest in isolation, but growth engines did the heavy lifting: Global High-Tech accelerated to 29% organic growth and Life Sciences to 15%, while core businesses (Food & Beverage +7%, Institutional & Specialty +4%) also improved. Reported EPS growth of only 3% (vs. 11% adjusted) reflects a widening gap driven by higher special charges and CoolIT-related amortization/financing costs. Reported operating margin held at 17.2% and organic operating margin expanded 40 bps to 18.8%, evidencing successful surcharge pricing implementation.

Near-Term Sentiment: Bullish (driven by accelerating organic growth, a raised full-year outlook above consensus, and a same-day stock gain of roughly 4%–5%).

Why

Revenue acceleration to 5% organic was driven by a 4% pricing contribution - as Ecolab's global energy surcharge, rolled out in a single quarter versus a historical two-year cycle, took hold - plus 1% volume growth despite a nearly 1-point headwind from Middle East conflict disruption to customer operations. Growth engines Global High-Tech (+29%) and Life Sciences (+15%) were the standout drivers, reflecting share gains in data centers/microelectronics and bioprocessing/pharma respectively, while M&A (Ovivo, and CoolIT

from July 2) added roughly 3 points to reported growth. On profitability, adjusted operating income margin was flat YoY at 18.3% (organic +40 bps to 18.8%) as accelerating pricing progressively offset rising commodity costs and continued growth-oriented investment; reported gross margin fell 60 bps, almost entirely attributable to the dilutive impact of the Ovivo Electronics acquisition, with organic gross margin stable. Below the line, net interest expense rose to \$73.1m from \$63.2m on new acquisition-related debt, and the adjusted tax rate ticked up to 21.0% from 20.8%. Special (gains) and charges of \$51.1m (vs. \$27.1m in Q2 2025) - mainly One Ecolab restructuring and CoolIT/Ovivo acquisition and integration costs - were the principal one-off drag explaining the gap between 3% GAAP EPS growth and 11% adjusted EPS growth.

What Happens Next

Forward Guidance:

- FY2026 adjusted diluted EPS: \$8.05 to \$8.25 (+7% to 10% YoY)
- Q3 2026 adjusted diluted EPS: \$2.13 to \$2.23 (+3% to 8% YoY)
- 2H 2026 reported sales growth: +12% to 14%; organic sales growth: +6% to 7%
- 2H 2026 adjusted operating margin: ~19%; organic operating margin: ~20%

Guidance vs. Prior & Consensus: RAISED FY2026 adjusted EPS range to \$8.05–\$8.25 from \$8.03–\$8.23; the new range brackets the \$8.22 Street consensus, signaling confidence in sustaining double-digit growth through year-end.

Key Assumptions:

- Pricing strengthens to the targeted 5%-6% range in 2H as energy surcharge benefits are fully realized.
- Volumes continue to grow as strong new business wins more than offset ongoing Middle East disruption.
- Commodity/energy costs remain elevated (high-single-digit inflation assumed) through year-end.
- CoolIT and Ovivo Electronics integration proceeds on schedule, with more detail expected at a November 17 Investor Day in Chicago.

Stock Price Reaction (day of results, released pre-market): ECL shares traded up approximately 4%–5% on July 28, with Morningstar noting shares were “up nearly 5%” intraday and other trackers showing gains of roughly 3.8%–4.2%, including a premarket move to about \$282.80.

Coverage attributed the move less to the narrow headline beat and more to the stronger pricing/margin message and the guidance raise; one wire report noted the earnings surprise alone was too small to explain the rally, pointing instead to management's confidence in 2H margin recovery and the accelerating Global High-Tech growth story.

Analyst Sentiment:

- **Bulls:** Global High-Tech scaling to a \$4B/25%-margin platform by 2030 and Life Sciences share gains support durable double-digit EPS growth.
- **Bears:** CoolIT/Ovivo non-cash amortization and financing costs pressure reported earnings, and Morningstar rates shares 3-star/Fairly Valued (\$305 fair value vs. \$271 close), recommending a pullback before new entry.

Net sentiment: Bullish operationally, with valuation viewed as roughly fair at current levels.

Key Positives, Negatives, Risks, and Concerns

Key Positives:

- Organic growth accelerated to 5%, led by Global High-Tech (+29%) and Life Sciences (+15%), with FY EPS guidance raised above consensus.
- Energy surcharge pricing was fully implemented within a single quarter (vs. a historical two-year cycle), stabilizing organic gross margin despite continued commodity cost inflation.
- Strong balance sheet capacity funded the CoolIT and Ovivo acquisitions while management reaffirmed its >20% operating margin and 12%-15% long-term EPS growth targets.

Key Negatives:

- Adjusted gross margin declined 60 bps YoY, driven by the dilutive impact of the Ovivo Electronics acquisition; reported operating margin fell 40 bps.

- CoolIT/Ovivo non-cash amortization and acquisition financing costs widened the gap between GAAP EPS growth (+3%) and adjusted EPS growth (+11%).
- Volume growth of just 1% reflects a persistent ~1-point headwind from Middle East conflict-related disruption to customer operations.

Material Risks:

- Continued geopolitical disruption in the Middle East or a resurgence in commodity/energy cost inflation could outpace future surcharge pricing.
- Integration execution risk on CoolIT (closed July 2) and Ovivo as Global High-Tech becomes the largest growth engine; net debt/adjusted EBITDA rose to 1.9x from 1.7x.
- Valuation is viewed as roughly fair by sell-side coverage (Morningstar: 3-star, \$305 fair value vs. \$271 close), limiting near-term re-rating upside.

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Eli Lilly and Company (NYSE: LLY)

Q2 2026 Earnings Analysis

Reporting date: August 5, 2026 (pre-market) |

Executive Summary

- Blowout beat:** Q2 revenue of \$22.97bn (+48% YoY) topped consensus of ~\$20.62bn by 11.4%; non-GAAP EPS of \$8.38 (+33% YoY) beat consensus of ~\$6.58 by 27.3%.
- Incretin franchise firing on all cylinders:** Mounjaro and Zepbound combined for \$14.9bn (+67% YoY), with Mounjaro +91% and Zepbound +46%; oral GLP-1 Foundayo added \$98m in its first reported quarter.
- Guidance RAISED for the third consecutive quarter:** FY2026 revenue guidance lifted to \$85.0–\$87.0bn (from \$82.0–\$85.0bn) and non-GAAP EPS raised \$2.78 at the midpoint before absorbing \$3.03 of Q2 acquired IPR&D charges, netting to an unchanged \$35.50–\$36.50 range.
- Stock reaction strongly positive:** Shares rose approximately 5–6% on the day of results (released pre-market) as the beat, guidance raise, and manufacturing scale-up reassured investors on supply.
- Pipeline de-risked further:** Retatrutide's complete TRIUMPH data package (Trials 1–4) now supports global registrations in obesity, OSA, and knee osteoarthritis, with a U.S. BLA filing planned for Q1 2027.
- Aggressive, well-funded M&A:** Completed acquisitions of Orna Therapeutics, Ajax Therapeutics, Centessa Pharmaceuticals, and Kelonia Therapeutics in Q2, plus post-quarter infectious disease deals (Curevo, LimmaTech, Vaccine Company) and an agreement to acquire AtaiBeckley in neuropsychiatry.
- Diversification progressing:** Key Product revenue in Immunology, Oncology, and Neuroscience grew 121% YoY, reducing (if only modestly, from a still-high base) reliance on the incretin franchise, which remained ~64% of quarterly revenue.
- Near-term outlook:** BULLISH - durable incretin share leadership (61% U.S., 55% international), Medicare GLP-1 Bridge access expansion, and a de-risked retatrutide package support continued momentum. Monitor: Foundayo's slower-than-hoped U.S. launch curve and margin dilution from an increasingly acquisitive posture.

What Happened

Metric	Q2 2026	Q2 2025	YoY Change	vs. Consensus
Revenue	\$22,974m	\$15,558m	+48%	Beat by ~11.4% (\$20.62bn est.)
Operating Income (GAAP)	\$8,978m	\$6,867m	+31%	-
Net Income (GAAP)	\$7,095m	\$5,661m	+25%	-
Net Income (Non-GAAP)	\$7,493m	\$5,680m	+32%	-
EPS (Non-GAAP, diluted)	\$8.38	\$6.31	+33%	Beat by ~27.3% (\$6.58 est.)

Lilly delivered its strongest quarter on record, with revenue up 48% YoY driven by a 60% increase in volume (partially offset by a 13% decline in realized prices), and Key Products revenue (Ebglyss, Foundayo, Inluriyo, Jaypirca, Kisunla, Mounjaro, Omvoh, Zepbound) rising to \$15.7bn, up 76% YoY. Both revenue and non-GAAP EPS beat Wall Street consensus by wide margins (11.4% and 27.3%, respectively), extending a multi-quarter pattern of upside surprises. Reported EPS included \$3.03 of acquired IPR&D charges (vs. \$0.14 in Q2 2025) tied primarily to the Orna Therapeutics and Ajax Therapeutics acquisitions, plus \$703m of asset impairment, restructuring, and other special charges from the Kelonia and Centessa deal closings.

Near-Term Sentiment: Bullish (driven by the scale of the beat, third consecutive guidance raise, and reassurance on manufacturing capacity); shares rose ~5–6% on the day of results.

Why

Revenue growth was overwhelmingly volume-led (60% of the 48% increase, with a 13-point price drag), driven by Mounjaro (+91% to \$9.9bn) and Zepbound (+46% to \$4.9bn), which together contributed \$6.3bn of incremental revenue; U.S. revenue grew 33% while international revenue grew 80%, aided by Mounjaro's addition to China's National Reimbursement Drug List and a \$250m Jardiance milestone from Boehringer Ingelheim. Non-GAAP gross margin expanded 130bps YoY to 86.3% on favorable product mix and improved cost of production, more than offsetting the price declines in Zepbound and Mounjaro; non-GAAP performance margin (gross margin less R&D and SG&A) rose 890bps to 54.8% as revenue growth outpaced a 14% increase in R&D spend (17% of revenue, reflecting over 40 active Phase III programs) and a 25% increase in marketing/SG&A tied to the Foundayo and Medicare Bridge launches. Below the line, the effective tax rate rose to 23.3% from 16.5% (22.2% vs. 16.5% non-GAAP), driven by the unfavorable tax treatment of non-deductible acquired IPR&D charges, while net other income swung positive on \$445m of net gains on equity securities investments. The two material one-off items - \$2.8bn of acquired IPR&D (Orna, Ajax) and \$703m of asset impairment/restructuring/integration costs (Kelonia, Centessa) - together reduced reported operating income by roughly \$3.5bn and are the primary driver of the gap between reported (\$7.94) and non-GAAP (\$8.38) EPS.

What Happens Next

Forward Guidance (FY2026, non-GAAP unless noted):

- **Revenue:** \$85.0bn–\$87.0bn (GAAP), implying ~32% YoY growth at the midpoint.
- **Performance Margin:** 49.0%–50.5% (up 200bps at both ends of the prior range).
- **Tax Rate:** Approximately 18–19%, unchanged from prior guidance.
- **EPS:** \$35.50–\$36.50, up \$2.78 at the midpoint on an underlying basis before absorbing \$3.03 of Q2 acquired IPR&D charges.

Guidance vs. Prior & Consensus: RAISED for the third straight quarter - revenue midpoint increased by \$2.5bn (from \$83.5bn to \$86.0bn), roughly 0.6% above analyst estimates; underlying EPS guidance was raised \$2.78 at the midpoint but the reported range was held flat at \$35.50–\$36.50 after absorbing Q2's \$3.03 acquired IPR&D charge from the Orna/Ajax deals.

Stock Price Reaction (day of results, released pre-market): LLY shares rose approximately 5–6% on August 5, 2026 (estimates across sources range from +4.9% to +6.3%), closing near \$1,147–\$1,175 and within reach of the 52-week high of ~\$1,236 set in July 2026. Morningstar noted shares “rose 5% on Aug. 5,” while StockStory and Simply Wall St cited moves of 4.9% and 6.3%, respectively.

Analyst Sentiment:

- **Bulls:** Point to durable incretin share leadership (60.9% U.S., 54.9% international), the Medicare GLP-1 Bridge unlocking ~20 million newly eligible patients, and a now-complete retatrutide data package supporting a Q1 2027 U.S. filing.
- **Bears:** Flag Foundayo's slower-than-expected U.S. launch curve (though management cited an inflection in late July, with prescribers up from 8,000 to 36,000), intensifying oral GLP-1 competition from Novo Nordisk's pill, and margin dilution from an increasingly acquisitive posture (four completed deals in Q2 alone).

Net sentiment: Bullish. Morningstar (2-star, Overvalued) raised its fair value estimate to \$980 from \$900 on stronger margin assumptions and pipeline optionality, though it flags the stock trades at 1.14x fair value and a >30x forward P/E, above its implied 27x multiple.

Key Positives, Negatives, Risks, and Concerns

Key Positives:

- Incretin franchise (Mounjaro + Zepbound) grew combined revenue 67% YoY to \$14.9bn while extending U.S. (60.9%) and international (54.9%) share leads over Novo Nordisk.
- Retatrutide's TRIUMPH program is now complete across four pivotal trials, de-risking a Q1 2027 U.S. BLA filing for obesity, OSA, and knee osteoarthritis.
- Strong balance sheet and capital return: \$1.5bn dividends and \$1.6bn buybacks in Q2 alone, alongside \$15.3bn of YTD business development spend, funded without straining leverage (net debt/EBITDA of 1.3x).

Key Negatives:

- Foundayo's U.S. launch has been slower than anticipated, generating only \$98m in its first reported quarter versus a \$103m consensus estimate, despite a UAE ex-U.S. comparator of \$31m from a single, smaller market.

- U.S. realized price declined ~9% (excluding a favorable rebate/discount estimate change), reflecting structural pricing pressure in the obesity category as self-pay and channel dynamics evolve.
- Reported operating margin compressed to 39.1% (down ~500bps YoY) on \$3.5bn of combined acquired IPR&D and restructuring charges tied to an unusually acquisitive quarter (four closed deals).

Material Risks & Concerns:

- Competitive intensity is rising as Novo Nordisk scales its oral GLP-1 launch in key ex-U.S. markets (e.g., reported 50% UAE share within three weeks) and generic semaglutide enters India and Brazil.
- Valuation risk: shares trade at 1.14x Morningstar's newly raised \$980 fair value estimate and a >30x forward P/E, leaving limited room for execution missteps.
- Ongoing litigation over whether retatrutide qualifies for a BLA (vs. NDA) pathway remains unresolved; management describes it as “active litigation” alongside continued FDA engagement.

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Experian plc (LSE: EXPN)

Q1 FY2027 Trading Update - Earnings Analysis

Results released: 16 July 2026 (pre-market, before the London trading session) | Period: three months ended 30 June 2026 (Q1 FY27)

Executive Summary

- Q1 FY27 revenue grew 10% at actual exchange rates, 8% constant currency and 7% organically - in line with Morgan Stanley's ~7% forecast and mid-range of the 6–8% full-year organic guidance; this is a trading update only, so no EPS, operating profit or net income figures were disclosed.
- North America (67% of group revenue) organic growth decelerated to 7% from 9% a year earlier, with Consumer Services down 2% (+3% excluding the planned wind-down of two large data-breach support contracts); B2B organic growth remained robust at +11%.
- Latin America was the standout region, organic revenue +12% (above FY26's full-year 8% average), driven by new business wins across Brazilian banks and telecoms and continued fraud-prevention momentum, alongside the 1 July completion of the idwall acquisition.
- Full-year FY27 guidance was REAFFIRMED unchanged: total revenue growth of 8–11%, organic growth of 6–8%, and margin expansion of 30–50 bps at the higher end of the Medium-Term Framework.
- Stock fell 1.03% close-to-close (day of results, released pre-market) from 2,709p to 2,681p, having swung as low as roughly -7% intraday to lead the FTSE 100 fallers before recovering, as investors focused on the North America slowdown rather than the in-line headline.
- Analyst response was split: Citi and Deutsche Bank both retained Buy ratings, but Deutsche Bank has now cut its price target twice since May (£4,550 → £4,000 → £3,500), while Morningstar held its 3,150p fair value estimate and called the resulting ~14% valuation gap a sign the market is "too negative on the credit bureaus right now."
- NEAR-TERM OUTLOOK: Neutral. An in-line quarter with unchanged guidance offers no fresh catalyst either way; growth needs to hold or reaccelerate through H2 to reach the top of the 6–8% organic range. Monitor: US consumer credit-card softness and the pace of North America reacceleration.

What Happened

Standard P&L metrics (not disclosed in a Q1 trading update):

Metric	Q1 FY2027	Q1 FY2026	YoY Change	vs. Consensus
Revenue	Not disclosed (\$)	Not disclosed (\$)	+10% actual FX / +7% organic	In line (~7% est.)

Experian discloses full profit-and-loss data (EBIT, net income, EPS, dividends) only at half-year (November) and full-year (May) results. The Q1 and Q3 announcements are revenue-only trading updates based on unaudited management accounts.

Revenue growth by region (the metric actually disclosed):

Region (% of Group Revenue)	Organic Growth	Total Growth (Actual FX)	Prior-Year Organic (Q1 FY26)
North America (67%)	+7%	+8%	+9%
Latin America (15%)	+12%	+12%	+8% (FY26 avg.)
UK & Ireland (11%)	+5%	+7%	n/a

Region (% of Group Revenue)	Organic Growth	Total Growth (Actual FX)	Prior-Year Organic (Q1 FY26)
EMEA & Asia Pacific (7%)	+1%	+1%	n/a
Total Group	+7%	+10%	+8%

Experian delivered a steady, broadly in-line start to fiscal 2027: total revenue grew 10% at actual exchange rates and 7% organically, matching Morgan Stanley's pre-print forecast of roughly 7% and landing squarely inside the 6–8% full-year guidance range. No EPS, revenue-dollar or margin consensus was published for the quarter, so the result cannot be measured against a formal beat/miss figure beyond the organic-growth comparison; company-compiled consensus for full-year FY27 organic growth stands at approximately 7.2% (per Morgan Stanley). The most material feature was a shift in growth mix: North America decelerated to 7% organic (from 9% a year earlier and 9% in the prior quarter) while Latin America accelerated to 12%, the fastest-growing region for a second consecutive quarter.

Near-Term Sentiment: Bearish short-term despite an in-line print (stock reaction driven by the North America deceleration and consumer-credit softness, not by a change in guidance or a fundamental miss).

Why

The revenue story was one of regional rotation rather than aggregate weakness. North America organic growth slowed to 7% (from 9% in Q1 FY26 and Q4 FY26) as Consumer Services revenue fell 2% following the planned wind-down of two large data-breach support contracts - a headwind management had flagged in advance and one that masks underlying momentum, since North America Consumer Services grew 3% excluding that impact. B2B in North America held up well at +11% organic, driven by the Ascend analytics platform, fraud-prevention products and mortgage-related services. Latin America (15% of group revenue) more than offset the North American slowdown, growing 12% organically on new business wins across major Brazilian banks and telecommunications providers and continued strength in fraud prevention and the Limpa Nome debt-recovery platform; the 1 July close of the idwall acquisition adds further scale in Brazilian digital identity. UK & Ireland grew 5% organically (7% total, aided by the KYC360 acquisition), while EMEA & Asia Pacific grew a more modest 1%, still lapping a strong prior-year comparison from several large software deliveries. Because this is a trading update rather than a full results announcement, no margin, cost-inflation, D&A, tax, or one-off items were disclosed - Experian confirmed only that revenue trends were "in line with expectations" and did not comment on profitability.

What Happens Next

Forward Guidance

- FY2027 total revenue growth: 8%–11% (unchanged from prior guidance)
- FY2027 organic revenue growth: 6%–8% (unchanged)
- FY2027 margin expansion: 30–50 bps at constant currency, targeted at the higher end of the Medium-Term Framework (unchanged)
- No EPS, capex or free cash flow guidance is issued alongside a Q1 trading update

Guidance vs. Consensus

- Guidance was AFFIRMED, not raised or lowered: management repeated the 8–11% total / 6–8% organic FY27 ranges set out at the May 2026 full-year results, with no change to the 30–50 bps margin-expansion target.
- The 7% organic print sits below the ~7.2% company-compiled consensus for full-year FY27 organic growth (per Morgan Stanley), meaning growth would need to hold at or above the current pace - or reaccelerate - through the remaining three quarters for FY27 to land at the top rather than the middle of the guided range.

Stock Price Reaction (day of results, released pre-market)

- EXPN closed at 2,709.00p on 15 July 2026 (the last close before the release) and closed at 2,681.00p on 16 July 2026 (day of the pre-market release) - a decline of 1.03% on a close-to-close basis.

- Intraday volatility was far more severe than the close-to-close move suggests: shares opened at 2,608p and fell as low as 2,518p - roughly 7% below the prior close - before recovering through the session to finish down just 1.03%, having briefly led the FTSE 100 fallers while the index itself traded higher on the day.
- Proactive Investors and Investing.com attributed the initial sell-off to "slower growth in North America" and the Consumer Services decline, while Sharecast framed it as investors reading the unchanged 6–8% guidance as evidence that the Q1 print, though in line, offered no upgrade catalyst.
- **Analyst Sentiment**
- Bulls: Citi and Deutsche Bank both maintain Buy ratings; Citi's marginal price-target trim to £3,812 (from £3,824) reads as fine-tuning rather than a change of view, and Morgan Stanley models FY27 organic growth accelerating to 7.6% and FY28 to 8.7% - both above the roughly 7–8% range most analysts currently use, framing Q1 as a solid platform for the rest of the year.
- Bears: Deutsche Bank has cut its price target twice since the May full-year results (£4,550 → £4,000 → £3,500), and investors focused on the North America deceleration and soft US credit-card activity as signs that lenders may be growing more cautious about consumer credit availability.
- Net sentiment: Constructive but cooling. The stock retains an overall "Buy" consensus across 18 covering analysts, and Morningstar's 4-star rating and unchanged 3,150p fair value estimate imply the shares are roughly 14–15% undervalued at the post-print price, with Morningstar explicitly arguing the market is "too negative on the credit bureaus right now."

Key Positives, Negatives, Risks, and Concerns

Key Positives

- Latin America organic growth accelerated to 12% for a second consecutive strong quarter, now Experian's fastest-growing region, supported by the newly closed idwall acquisition in Brazilian digital identity.
- Full-year guidance reaffirmed unchanged despite the North America slowdown, with management explicitly describing results as "in line with our expectations."
- North America B2B - the group's largest profit pool - held organic growth at 11%, with the Ascend analytics platform continuing to gain new business wins per both company and Morningstar commentary.

Key Negatives

- North America organic growth decelerated to 7% from 9% a year earlier and from 9% in the prior quarter, the group's most closely watched region at 67% of revenue.
- Consumer Services in North America declined 2% as two large data-breach support contracts wound down, and credit-card-related activity remained soft, which Morningstar flagged as a possible sign lenders are turning more cautious on US consumer credit.
- No profit, margin or EPS data was disclosed, limiting the ability to assess whether the reaffirmed margin-expansion guidance (30–50 bps) is tracking to plan at the halfway point of Q1.

Material Risks & Concerns

- Macro sensitivity: a continuation of cautious US lender behaviour on credit cards and marketing spend could further slow North America volumes, which management and Morningstar both flag as the key swing factor for FY27.
- Valuation and analyst-target dispersion: Deutsche Bank's two price-target cuts since May versus Citi's marginal trim and Morningstar's unchanged, more bullish fair value estimate reflect a genuine and widening disagreement about how much growth deceleration is priced in.
- Guidance-cadence risk: with 7% organic growth sitting below the ~7.2% full-year consensus, growth needs to hold or improve through H2 FY27 (against tougher prior-year comparisons in Latin America) for the group to avoid landing at the low end of its 6–8% range.

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Genmab A/S – Q2 2026 Earnings Analysis

Reporting Period: Q2 / H1 2026 (ended 30 June 2026) | Reported after market close, 6 August 2026

Executive Summary

- Strong Q2 beat: revenue \$1,155m (+24.9% YoY), ahead of the ~\$1.11bn analyst consensus cited in market coverage of the print.
- Broad-based growth with EPKINLY net sales +48% YoY and Kesimpta royalties +31% YoY, reducing reliance on DARZALEX to roughly half of total revenue growth.
- Positive Phase 3 EPCORE DLBCL-4 result for epcoritamab plus lenalidomide extends the core franchise ahead of several late-2026 pipeline catalysts.
- Guidance RAISED: FY2026 revenue to \$4.325-4.525bn (midpoint +5% to \$4.425bn) and operating profit midpoint +7% to \$1.225bn, while opex guidance rose only 2% - company-cited operating leverage.
- Stock RALLIED strongly the day after results (Friday 7 August, results released post-close 6 August): Copenhagen-listed shares +6.5% to DKK 1,999 (intraday high +10.1%) on 3x average volume; NASDAQ ADR +4.8% to \$31.25 (intraday high +6.6%) on 2x+ average volume.
- Leverage remains a watch item: \$5.5bn of Merus-related borrowings drove \$217m of incremental H1 interest and amortization expense, with net debt/EBITDA guided to ~3.0x for 2026.
- NEAR-TERM OUTLOOK: Bullish. The market read the beat, guidance raise, and DLBCL-4 data as unambiguously positive, sending shares to their highest levels in weeks.
- Key risks to monitor: petosemtamab second-line colorectal readout slipped to Q1 2027 (from 2026), and unresolved AbbVie trade-secret and Chugai patent litigation.

What Happened

Metric	Q2 2026	Q2 2025	YoY	vs. Consensus
Revenue	\$1,155m	\$925m	+24.9%	Beat (~\$45m above ~\$1.11bn consensus, +4.1%)
Operating Profit (EBIT)	\$375m	\$360m	+4.2%	Not separately disclosed by consensus
Net Income (GAAP)	\$303m	\$336m	-9.8%	-
Net Income (Adjusted)	n/a (Adj. Op. Profit \$419m)	\$364m	+15.1%	-
EPS (Basic, GAAP)	\$4.94	\$5.44	-9.2%	Market coverage cited a beat vs. a lower, non-GAAP-adjusted per-ADR consensus figure; basis not fully reconciled to GAAP

Genmab delivered a clear Q2/H1 revenue beat, with total revenue of \$1,155 million (+24.9% YoY) ahead of the ~\$1.11 billion analyst consensus cited in market coverage of the print, driven by higher DARZALEX and Kesimpta royalties and 48% growth in EPKINLY net product sales. Basic EPS of \$4.94 (32.22 DKK) was down 9.2% YoY on higher borrowing costs from the Merus acquisition, though GAAP net income fell 9.8% to \$303 million against a stronger prior-year comparison base that included lower financing costs. Adjusted operating profit rose 18% YoY to \$656 million for H1, and the company raised full-year 2026 revenue guidance to \$4.325-4.525 billion from \$4.065-4.395 billion. The quarter's headline positive was the positive Phase 3 EPCORE DLBCL-4 result for epcoritamab plus

lenalidomide, reinforcing the durability of the core franchise ahead of several late-2026 data catalysts.

Near-Term Sentiment: Bullish (driven by the revenue/guidance beat, EPCORE DLBCL-4 data, and a strongly positive stock reaction) - the market's read on results was clearly favorable, with shares jumping sharply the day after the print.

Why

Revenue growth of 25% YoY in H1 2026 (to \$2,051m) was driven roughly half by DARZALEX royalties (+21% YoY net sales, +20% royalty revenue to \$1,306m) and half by EPKINLY/TEPKINLY (+48% YoY to \$312m) plus Kesimpta royalties (+31% YoY to \$259m); FX was a modest tailwind from Kesimpta/DARZALEX volume rather than pricing. Profitability evolution was mixed: H1 operating profit rose only 1.3% YoY (to \$555m) as adjusted operating expenses grew 28% YoY (to \$1,270m) on higher R&D spend behind Rina-S and petosemtamab and expanded commercialization capabilities, while adjusted operating profit (excluding Merus-related acquisition/integration charges and intangible amortization) grew a stronger 18% YoY to \$656m, reflecting genuine operating leverage once one-off deal costs are excluded. Below-the-line, H1 net financial items swung to a \$186m expense from \$119m income YoY, driven by \$174m of new interest expense and \$43m of amortization on the \$5.5bn Merus acquisition debt, only partly offset by a lower effective tax rate of 3.6% (vs. 20.3% in H1 2025) tied to recognition of previously unrecognized Merus-related tax assets - this tax benefit is temporary and not indicative of the expected run-rate. Material one-offs included \$77m of Merus acquisition and integration charges and \$24m of acquired intangible amortization in H1 2026 (both new versus zero in H1 2025), which management excludes from adjusted operating profit.

What Happens Next

Forward Guidance (FY2026): Revenue \$4.325-4.525bn (midpoint \$4.425bn, +19% YoY); Adjusted operating expenses \$2.81-2.95bn (midpoint \$2.88bn); Adjusted operating profit \$1.065-1.385bn (midpoint \$1.225bn).

Guidance vs. Prior & Consensus: RAISED revenue guidance midpoint by ~\$195m (to \$4.425bn from \$4.230bn), a 5% increase, with operating profit guidance midpoint raised 7% (to \$1.225bn from \$1.150bn) while opex guidance rose only 2% - company-stated operating leverage. The revised guidance implies ~19% FY revenue growth versus 14% under the previous range; market commentary framed the raise as evidence that results are tracking meaningfully above the Street's prior full-year model.

Stock Price Reaction (day after results, released post-market close Thursday 6 August 2026 - reaction measured on Friday 7 August):

Shares rallied strongly the day after results. On the primary Copenhagen listing, GMAB closed at DKK 1,999.00 on 7 August, up 6.5% from the DKK 1,877.00 close on 6 August, with an intraday high of DKK 2,067 (+10.1% from the prior close) on volume of 463,936 shares - roughly 3x the ~150,000-share daily average of the preceding week. The NASDAQ-listed ADR closed at \$31.25 on 7 August, up 4.8% from \$29.83 the prior day, with an intraday high of \$31.79 (+6.6%) on volume of 2.36 million shares, more than double typical turnover. Multiple outlets confirmed the move: GuruFocus reported GMAB "shares surged 7.2% following the company's announcement of higher-than-expected first-half revenue and an upward revision of its full-year guidance," while a Yahoo Finance/Motley Fool piece noted shares were "up about 4.4% in Friday morning trading" before extending gains into the close.

Analyst Sentiment: Bulls point to accelerating, more broad-based growth (EPKINLY +48%, Kesimpta +31%) and de-risking of the late-stage pipeline, with Morningstar's Rachel Elfman maintaining a five-star, DKK 2,650 fair value estimate and citing petosemtamab's expansion into colorectal cancer as adding "nearly 180,000 addressable patients." News coverage attributed the rally directly to the revenue/guidance beat and the positive EPCORE DLBCL-4 readout, with GuruFocus noting the move came "amid a broadly modest European market rally" and flagging the stock as still undervalued against its GF Value estimate. Bears would still highlight continued reliance on J&J's DARZALEX for roughly half of revenue growth and elevated leverage (net debt/EBITDA of ~3.0x forecast for 2026) following the debt-funded Merus acquisition, but this did not weigh on sentiment on the day. Net sentiment is Bullish, with the market's reaction and Morningstar's five-star rating aligned for once.

Key Positives, Negatives, Risks, and Concerns

Key positives include broad-based, above-consensus revenue growth (+25% YoY) with EPKINLY sales up 48% YoY, a positive Phase 3 EPCORE DLBCL-4 readout that extends epcoritamab's addressable franchise, and a raised FY2026 revenue and operating profit guide reflecting genuine operating leverage (adjusted operating profit +18% YoY in H1) - all of which the market rewarded with a sharp, high-volume rally in both listings the day after results. Key negatives include a 9.8% YoY decline in GAAP net income and 9.2% decline in basic EPS, driven by \$217m of incremental interest and amortization expense tied to the \$5.5bn Merus acquisition financing, alongside a temporarily depressed 3.6% effective tax rate that is not sustainable and will normalize over the next 12-18 months. Material risks and concerns include continued heavy dependence on J&J's DARZALEX royalty stream for roughly half of revenue growth, rising leverage (net debt/EBITDA guided to 3.0x in 2026 versus 3.1x in 2025) following the debt-funded acquisition, unresolved AbbVie trade-secret litigation and Chugai patent infringement claims relating to Rina-S and EPKINLY respectively, and delayed Phase 3

readout timing for the petosemtamab second-line colorectal trial (now Q1 2027 versus prior 2026 guidance) which pushes out a key valuation catalyst.

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Johnson Controls International plc (NYSE: JCI)

Fiscal Q3 2026 Earnings Analysis (Quarter Ended June 30, 2026)

Executive Summary

- Broad Q3 beat: revenue \$6,614m (+9% reported, +10% organic) vs. consensus ~\$6.46bn (+2.2%); Adjusted EPS \$1.42 (+35% YoY) vs. consensus ~\$1.30 (+9-10%, ~\$0.12 beat).
- Record orders +27% organically YoY (Systems +40%) driving a record \$21.0bn backlog, up 32% organically, on sustained data-center and mission-critical demand, led by the Americas (+37% orders).
- Guidance RAISED: FY2026 organic revenue growth lifted to ~8% (from ~6%) and Adjusted EPS to ~\$5.05 (from ~\$4.85), both above the ~\$4.90 consensus; Q4 EPS guide of ~\$1.55 also tops the ~\$1.52 consensus.
- Stock gapped up ~5.6% pre-market to ~\$148 (near the 52-week high of \$151.18) on the beat and guidance raise, then faded intraday to close at \$137.50, down ~2% on the day, on ~2x average volume.
- Balance sheet continues to strengthen: net debt/EBITDA improved to 1.9x from 2.5x YoY, adjusted free cash flow +63% year-to-date to \$2.1bn, with ~100% FCF conversion guided for FY2026.
- Management raised its long-term data-center revenue ambition to roughly one-third of company sales within 3-5 years (from a high-teens % in FY2026), underpinned by new CDU and absorption-chiller product launches.
- NEAR-TERM OUTLOOK: Bullish. Broad-based order momentum, record backlog, and margin expansion support the raised guide, though the intraday stock fade and stretched valuation warrant monitoring.
- Key risks to monitor: sustainability of hyperscaler data-center capex/returns, and continued EMEA softness tied to the Middle East conflict (~10% of that segment).

What Happened

Metric	Q3 FY2026	Q3 FY2025	YoY Change	vs. Consensus
Revenue	\$6,614m	\$6,052m	+9.3% (+10% organic)	Beat (~\$6.46bn est., +2.2%)
Operating Profit (Adj. EBIT)	\$1,121m	\$865m	+29.6%	-
Net Income (GAAP, continuing ops)	\$749m	\$618m	+21.2%	-
Net Income (Adjusted, continuing ops)	\$868m	\$693m	+25.3%	-
EPS (Adjusted, diluted)	\$1.42	\$1.05	+35.2%	Beat (~\$1.30 est., +\$0.12)

*Approximated from total quarterly dividends paid (\$245m vs. \$243m) divided by weighted average basic shares outstanding; exact per-share quarterly figure not separately disclosed.

Summary: Johnson Controls delivered a clean top-and-bottom-line beat, with revenue of \$6.614bn topping the ~\$6.46bn consensus by roughly 2.2% and organic growth accelerating to 10% (from high-single-digit levels in recent quarters). The earnings beat was more pronounced than the revenue beat: Adjusted EPS of \$1.42 exceeded the ~\$1.30 consensus by approximately 9-10% (\$0.12-0.13), reflecting genuine margin expansion (adjusted EBIT margin +260bps to 16.9%) rather than simply higher volume. Orders (+27% organically) and backlog (\$21.0bn, +32%) both reached records, reinforcing forward revenue visibility, while the Americas segment (11% organic sales growth, 37% order growth) remained the primary growth engine on data-center and mission-critical demand.

Near-Term Sentiment: Bullish, driven by the broad beat, guidance raise, and record backlog, tempered by valuation concerns - Morningstar raised its fair value estimate to \$129 (from \$111) but still rates shares only "Fairly Valued" (3-star) against a pre-earnings price of \$140.28.

Why

Revenue grew 9% to \$6,614m (+10% organically), led by the Americas (organic +11%, orders +37%) on sustained data-center and mission-critical demand and high-teens organic growth in Applied HVAC, while EMEA grew just 1% organically as the Middle East conflict weighed on roughly 10% of that region's business, and APAC surged 15% organically on data-center, advanced-manufacturing and biopharma investment. Profitability expanded meaningfully: adjusted EBIT margin rose 260bps YoY to 16.9% and adjusted segment EBITA margin rose 220bps to 19.8%, driven primarily by roughly \$215m of net volume/price growth leverage and ~\$35m of productivity gains, partially offset by ~\$30m of M&A dilution; the Americas segment led with 260bps of adjusted EBITA margin expansion to 21.1%, while EMEA (+20bps to 14.3%) and APAC (+180bps to 21.2%) also improved on productivity and mix. Below the line, net financing charges fell 8% YoY to \$71m and the adjusted effective tax rate held near 17% (versus ~12% a year earlier, reflecting normalization off a low prior-year base and reducing the YoY net income growth rate relative to EBIT growth). One-off items were modest and largely excluded from adjusted figures: GAAP results included \$80m of restructuring and impairment costs (up from \$51m) and \$80m of transformation costs (up from \$45m) related to the ongoing portfolio-simplification programme, alongside \$28m of favorable pension/asbestos mark-to-market adjustments and \$17m of water-systems AFFF insurance recoveries, none of which were individually material enough to distort the underlying trend.

What Happens Next

Forward Guidance (FY2026, raised):

- Organic revenue growth: ~8% (previously up ~6%)
- Adjusted EPS: ~\$5.05 (previously ~\$4.85), implying ~35% YoY growth
- Operating leverage: 45-50% (previously ~50%)
- Adjusted free cash flow conversion: ~100% (unchanged)

Q4 FY2026 Guidance (new):

- Organic revenue growth: 9% to 10%
- Adjusted EPS: ~\$1.55
- Operating leverage: 45% to 50%

Guidance vs. Prior & Consensus: RAISED - FY2026 organic revenue growth lifted from ~6% to ~8% and Adjusted EPS from ~\$4.85 to ~\$5.05 (a ~\$0.20/~4% increase); the new EPS guide sits above the ~\$4.90 analyst consensus, and the Q4 EPS guide of ~\$1.55 also tops the ~\$1.52 consensus. Operating leverage guidance was narrowed slightly to a 45-50% range from a prior ~50% point estimate, still well above the company's 30%-plus long-term algorithm.

Stock Price Reaction (day of results - released before market open on July 29, 2026): Shares gapped up as much as +5.6% pre-market to roughly \$148.20-148.29, approaching the stock's 52-week high of \$151.18, on the earnings beat and guidance raise. The move faded through the session (day's range \$136.24-\$149.48) and shares closed at \$137.50, down approximately 2% from the July 28 close of \$140.28, on volume of ~7.0m shares versus a ~3.4m average (roughly 2x normal). Benzinga described the stock as "volatile" in Wednesday trading, and a Traders Union technical strategist subsequently flagged JCI trading below its 20- and 50-day moving averages, cautioning that "the absence of positive sentiment and technical confirmation means risks of further downside are still significant." Market focus was initially on the beat and raise - record backlog, accelerating data-center content, and margin expansion - before apparent profit-taking took hold given the stock's strong run over the prior year and a valuation that Morningstar still assesses as only fairly valued.

Analyst Sentiment:

- Bulls: Beat-and-raise quarter with a record \$21bn backlog (+32% YoY) and a long-term ambition for data centers to reach ~1/3 of revenue support durable double-digit EPS growth; RBC raised its price target to \$161 from \$154 (Sector Perform) following the print.
- Bears: Much of the good news already appears reflected in the share price - Morningstar rates JCI "Fairly Valued" (3-star) at a \$129 fair value versus a pre-earnings price above \$140 - while EMEA remains pressured by the Middle East conflict and the security business faces competitive volume pressure.
- Net sentiment: Bullish operationally, tempered by full valuation; broader sell-side coverage skews positive (reported as 2 Strong Buy, 11 Buy, 9 Hold, 1 Sell across tracked analysts).

Key Positives, Negatives, Risks, and Concerns

Positives: Broad-based double-digit organic growth, 260bps of adjusted EBIT margin expansion, a record \$21bn backlog (+32%) on 27% order growth, and a strengthening balance sheet (net debt/EBITDA down to 1.9x from 2.5x, adjusted free cash flow +63% year-to-date to \$2.1bn) collectively point to a strengthening investment thesis. **Negatives:** EMEA organic growth of just 1% reflects an ongoing Middle East conflict drag on roughly 10% of that region's business that management expects to persist through Q4, and the Fire & Security business's American service backlog has softened amid competitive volume pressure in a flat underlying security market, requiring a "productization" initiative to reaccelerate growth. **Risks & Concerns:** the sustainability and eventual returns on hyperscaler data-center capital spending remain the single largest multi-quarter swing factor for the thesis, given management's ambition for data centers to reach roughly one-third of revenue within 3-5 years; supply-chain and capacity constraints in Applied HVAC could cap further acceleration even as orders continue to outpace shipments; and valuation risk is evident in the stock's sharp pre-market pop followed by an intraday fade to a ~2% decline, alongside Morningstar's view that shares remain only fairly valued even after a meaningful upward revision to fair value.

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Kingspan Group PLC – H1 2026 Earnings Analysis

Half-Yearly Financial Report for the period ended 30 June 2026 | Results announced 7 August 2026

Executive Summary

- Revenue of €4,857.8m (+8% YoY, +9% pre-currency) and trading profit of €487.2m (+10% YoY, +13% ex-FX/IPO costs) beat consensus by ~2% and ~3% respectively.
- Advnsys (data-centre infrastructure) was the standout: revenue +34% to €1,020.4m, trading profit +45% to €110.3m, with order backlog up more than 100% YoY.
- FY2026 trading profit guidance RAISED to ~€1,125m (+18% YoY) from prior guidance of €1.05bn; revenue guided to “solidly break through” €10bn, ~10% above prior consensus.
- Shares surged over 13% intraday in Dublin trading on the day of results (released pre-market), hitting a new 52-week high near €96.
- Balance sheet strengthened further: net debt/EBITDA improved to 1.56x (H1 2025: 1.74x); free cash flow swung to +€144.3m from a €20.0m outflow; buyback paused to preserve ~€1bn of M&A headroom.
- Insulated Building Envelopes grew resiliently (+2% revenue, +3% trading profit) despite soft European non-residential construction, outperforming underlying markets by ~3pp p.a.
- NEAR-TERM OUTLOOK: Bullish - structural data-centre demand and Advnsys wallet-share gains support the raised guidance. Monitor: the unresolved EC EUMR investigation (potential fine) and integration risk from stepped-up bolt-on M&A.

What Happened

Metric	H1 2026	H1 2025	YoY Change	vs. Consensus
Revenue (€m)	4,857.8	4,516.2	+8%	Beat (+~2%)
Trading Profit / EBIT-equiv. (€m)	487.2	442.9	+10%	Beat (+~3%)
Operating Profit, post-amortisation (€m)	460.3	417.3	+10%	-
Net Income, GAAP, attributable to owners (€m)	325.0	313.1	+4%	-
EPS, Basic (cent)	180.5	172.1	+5%	Beat

Kingspan delivered a broad-based double beat, with group like-for-like sales growth of 6% comfortably ahead of the 4% consensus estimate and trading profit 3% above consensus despite an €8.4m currency headwind and €4.5m of Advnsys IPO exploration costs; stripping out both, headline trading profit was €500.1m, up 13% YoY. Growth was led by Advnsys, while Insulated Building Envelopes also grew sales, profit and order intake despite a challenging European backdrop. Group profit after tax (including non-controlling interests) rose to €352.6m from €334.2m, and net debt fell to €1,859.8m from €1,915.2m a year earlier.

Near-term sentiment: Bullish (driven by the double beat, the guidance raise, and Advnsys’s re-rated growth trajectory); Morningstar raised its fair value estimate 13% to €95 per share following the print.

Why

Group revenue growth of 8% (9% pre-currency) was driven predominantly by Advnsys (+34% total, +36% pre-currency) on surging data-centre and AI-related demand, complemented by resilient Insulated Building Envelopes growth (+2% total, +4% pre-currency; global insulated panel volume intake +13%); acquisitions contributed +2.8% to group sales and FX was a -1.4% drag. Group trading

margin expanded 20bps to 10.0%, with trading profit growth of 10% (13% ex-FX/IPO costs) outpacing revenue growth on positive operating leverage and mix shift toward the higher-margin, faster-growing Advnsys segment (now 21% of group sales, up from 17%, with Advnsys margin +80bps to 10.8%); Envelopes margin was flat YoY at 9.8% as inflation recovery offset continued investment. Below the line, intangible amortisation rose to €26.9m (H1 2025: €25.6m) on higher M&A activity, and net finance costs more than doubled to €40.0m (H1 2025: €17.9m), mainly reflecting the absence of a prior-year €15.1m fair-value gain on deferred consideration and higher net interest expense (€34.8m vs. €28.1m) on the Group's debt profile; the effective tax rate improved slightly to 16.3% (H1 2025: 16.5%). The two material one-off items in the period were the €4.5m Advnsys IPO exploration costs and the €8.4m adverse FX translation impact on trading profit, both already reflected in the headline "before both" trading profit of €500.1m (+13% YoY).

What Happens Next

Forward Guidance:

- FY2026 revenue: guided to "solidly break through" €10bn for the first time.
- FY2026 trading profit: ~€1,125m, with H2 trading profit growth of ~25% YoY.
- FY2026 trading margin: ~11% (H2 margin ~12%; Envelopes margin >11%).

Guidance vs. Prior & Consensus: RAISED - FY2026 trading profit guidance lifted to ~€1,125m from €1.05bn reiterated at the Q1 update (a ~7% upgrade to guidance, and ~18% growth over FY2025's €955.1m); the revenue guidance implies approximately a 10% upgrade versus prior sell-side consensus, per Morgan Stanley.

Stock Price Reaction (day of results, released pre-market ahead of the Dublin/London session): shares surged more than 13% intraday, touching a new 52-week high near €96 (from a prior close of €81.55), with some ADR/alternative-listing quotes up 12–17% on the day, as the market focused on the double beat and the meaningful guidance raise.

Analyst Sentiment: Bulls point to Morgan Stanley's view that the revenue outlook implies "a 10% upgrade vs. consensus," alongside Advnsys's upgraded EBITDA trajectory and Morningstar's 13% fair value upgrade to €95. Bears (e.g., Simply Wall St) flag the stock's post-rally valuation (~25x P/E against a ~7% net margin) as leaving limited room for error. Net sentiment: Bullish.

Key Positives, Negatives, Risks, and Concerns

Positives: Advnsys is emerging as a structural growth engine, with order backlog up more than 100% YoY and wallet share per data-centre project multiplied more than 18x since 2010; the double beat on revenue and trading profit was accompanied by a meaningful guidance raise; and the balance sheet continues to strengthen (net debt/EBITDA 1.56x) with roughly €1bn of M&A headroom despite the buyback pause. Negatives: Insulated Building Envelopes margin was flat YoY at 9.8% despite volume gains, reflecting still-soft European non-residential construction and a lag in the inflation-recovery cycle; and net finance costs more than doubled YoY on the absence of a prior-year fair-value gain, holding basic EPS growth to +5% versus +10% trading profit growth. Risks & Concerns: the unresolved European Commission investigation into allegedly misleading information supplied during the abandoned Trimo EUMR process carries a potential fine (up to 1% of turnover, unprovisioned) and an uncertain timeline; post-rally valuation (~25x P/E) leaves limited margin for execution missteps; and subdued non-tech, non-residential demand in parts of Europe and the US, together with ongoing geopolitical volatility, remain headwinds to the core Envelopes segment.

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Linde plc (Nasdaq: LIN)

Second Quarter 2026 Earnings Analysis | Reported July 31, 2026

Executive Summary

- Modest beat, guidance disappoints:** Adjusted EPS of \$4.50 (+10% YoY) beat FactSet consensus of \$4.49 by a penny; adjusted revenue of \$9.29B (+9% YoY) beat consensus of ~\$8.96B by roughly \$330m.
- Margin compression concentrated in one business:** Adjusted operating margin fell 60 bps YoY to 29.5% (30 bps ex cost pass-through), almost entirely attributable to the U.S. home care (Lincare) unit.
- Record backlog on electronics strength:** Sale-of-gas project backlog rose \$1B to a record \$8.1B on a new U.S. electronics contract; total project backlog reached \$11.1B, with management targeting an “8-handle” backlog by year-end despite \$1.3B of 2026 project startups.
- FY guidance raised, but below consensus:** FY2026 adjusted EPS guidance floor lifted \$0.10 to \$17.70–\$17.90 (+8–9% YoY), with the \$17.80 midpoint landing below FactSet consensus of \$17.93.
- Stock fell ~5% on July 31 (day of results):** shares declined despite the top- and bottom-line beat, as the market had priced in a more meaningful guidance increase.
- Capital allocation remains disciplined:** \$3.1B returned to shareholders YTD (buybacks + dividends), \$1.9B of secured growth capital deployed, and after-tax return on capital of 23.5%.
- NEAR-TERM OUTLOOK:** Neutral-to-Bullish. Record electronics/space backlog and a wide moat offset near-term Lincare margin drag. **Monitor:** Lincare strategic review outcome and pace of helium supply-chain normalization amid Strait of Hormuz disruption.

What Happened

Metric	Q2 2026	Q2 2025	YoY Change	vs. Consensus
Sales (Revenue)	\$9,289m	\$8,495m	+9%	Beat (~+\$330m / +3.7% vs. Zacks consensus \$8.96B)
Operating Profit (EBIT, reported)	\$2,554m	\$2,354m	+8%	-
Operating Profit (EBIT, Adjusted)	\$2,744m	\$2,556m	+7%	-
Net Income (GAAP)	\$1,928m	\$1,766m	+9%	-
Net Income (Adjusted)	\$2,089m	\$1,937m	+8%	-
EPS (Adjusted, Diluted)	\$4.50	\$4.09	+10%	Beat (+\$0.01 vs. FactSet consensus \$4.49)

Linde delivered record second-quarter sales and adjusted EPS, both growing at a near double-digit pace, with underlying sales up 4% on 2% price attainment and 2% volume growth. Adjusted operating profit margin of 29.5% was 60 bps below the prior year, as continued pricing and productivity gains were offset by cost inflation - primarily in the U.S. home care business. Reported operating margin was 27.5%, with the ~190 bps gap to the adjusted figure reflecting recurring Linde AG merger purchase-accounting D&A. After-tax return on capital came in at 23.5%, down 160 bps YoY but still comfortably ahead of industrial gas peers.

Near-Term Sentiment: Neutral-to-Bearish on the print itself - shares fell despite the beat, as investors focused on the modest scale of the FY guidance raise and the unresolved Lincare margin drag rather than the headline results.

Why

Underlying sales growth of 4% was driven by broad-based 2% volume growth - concentrated in electronics (+18% YoY, the fastest-growing end market on AI-related hardware demand and project startups), manufacturing (aerospace-led U.S. recovery), and chemicals & energy - alongside 2% price attainment that broadly tracked local inflation; a 2% FX tailwind and 1% contribution from

acquisitions added to reported growth of 9%. On profitability, adjusted operating margin fell 60 bps YoY to 29.5% (30 bps ex cost pass-through), almost entirely attributable to the Americas segment, where margin declined 22 bps YoY (50 bps sequentially) as continued cost inflation and policy/reimbursement changes at the U.S. home care (Lincare) business outweighed pricing and productivity gains; excluding Lincare, Americas margin would have risen roughly 20 bps. APAC margin (ex cost pass-through) declined 70 bps YoY on a higher mix of lower-margin electronics equipment sales and helium dislocation costs tied to Strait of Hormuz-related supply-chain disruption, even as underlying helium pricing improved. EMEA margin improved 10 bps ex cost pass-through on continued pricing and productivity initiatives despite a 1% volume decline, primarily in manufacturing. Below the line, net interest expense and the effective tax rate (23.5% adjusted) were broadly stable YoY. There were no material one-off items in the quarter (unlike Q2 2025, which included \$55m of cost-reduction charges); the only recurring adjustment was the ~\$190m Linde AG purchase-accounting D&A add-back used to derive adjusted results.

What Happens Next

Forward Guidance:

- Q3 2026 adjusted EPS: \$4.45–\$4.55 (+6–8% YoY), assuming no YoY currency impact but a 1% sequential FX headwind
- FY2026 adjusted EPS: \$17.70–\$17.90 (+8–9% YoY), assuming a 1% FX tailwind
- FY2026 capex: \$5.5B–\$6.0B, including the \$8.1B contractual sale-of-gas backlog

Guidance vs. Consensus: The \$17.80 FY2026 adjusted EPS midpoint sits below FactSet consensus of \$17.93 by \$0.13 (~0.7%); Q2 adjusted EPS beat consensus by \$0.01. Q3 guidance of \$4.45–\$4.55 is broadly in line with the prior sequential trend.

Change from Prior Guidance: RAISED - the FY2026 floor was lifted \$0.10 (from \$17.60 to \$17.70), with the \$17.90 ceiling unchanged; the midpoint continues to assume no economic improvement, consistent with prior quarters.

Key Assumptions:

- No macro or industrial-volume improvement embedded at the guidance midpoint
- Sequential margin improvement in the U.S. home care business in Q3, driven by operational and cost actions already underway
- Helium supply chain remains disrupted through 2026, with normalization likely delayed into early 2027 pending resolution of Strait of Hormuz tensions
- Electronics backlog momentum sustained, with the sale-of-gas backlog expected to retain an “8-handle” by year-end despite ~\$1.3B of project startups
- Continued evaluation of the strategic fit of the U.S. home care business, in part or as a whole

Stock Price Reaction (day of results): Shares fell approximately 5% on July 31, the day results were released ahead of the 9:00am ET call, despite the EPS and revenue beat. Morningstar analyst Krzysztof Smalec noted, “we think the market was anticipating a more significant outlook increase,” after management raised only the bottom end of FY guidance by \$0.10. Morningstar maintained its \$540 fair value estimate, framing the resulting ~11% discount to fair value as “an attractive entry point” and arguing “the market doesn’t give Linde enough credit for potential upside in space and electronics.”

Analyst Sentiment: Bulls cite Linde’s wide economic moat, record \$8.1B sale-of-gas backlog, and under-appreciated electronics/space optionality; bears point to Lincare’s persistent margin drag and management’s conservative guidance philosophy as capping near-term re-rating potential. Net sentiment: Neutral-to-Bullish - Morningstar rates shares 4-star/undervalued, and pre-print sell-side consensus among 24 analysts stood at “Strong Buy” with an average price target of ~\$553.

Key Positives, Negatives, Risks, and Concerns

Positives: the record \$8.1B sale-of-gas backlog and \$11.1B total project backlog, anchored by a new U.S. electronics contract and a robust pipeline across Taiwan, Korea, and China, underscore durable multi-year growth visibility, with electronics sales up 18% YoY as the fastest-growing end market; capital allocation remains disciplined, with \$3.1B returned to shareholders YTD and a 23.5% after-tax return on capital comfortably above peers. **Negatives:** adjusted operating margin fell 60 bps YoY, driven almost entirely by the U.S. home care (Lincare) business, whose strategic fit within the portfolio remains under active review rather than resolved; APAC margin (ex cost pass-through) declined 70 bps on unfavorable equipment mix and helium dislocation costs; the FY guidance raise fell short of what the market had priced in, triggering a ~5% share-price decline despite the quarterly beat. **Risks and concerns:** the timeline and outcome of the Lincare turnaround or divestiture remain uncertain and could weigh on margins for several more quarters; helium supply-chain normalization is contingent on developments in the Strait of Hormuz and may not fully resolve until early 2027; and FY guidance continues to assume no macro or volume improvement, leaving limited cushion should industrial or electronics demand

soften from current levels.

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Mastercard Incorporated – Q2 2026 Earnings

Ticker: NYSE:MA | Report date: 7 August 2026

Executive Summary

- Q2 2026 net revenue of \$9,277m (+14% reported, +12% currency-neutral) beat consensus of ~\$9.06bn by 2.4%; adjusted diluted EPS of \$5.04 (+21% YoY) beat consensus of \$4.77 by 5.7%.
- Adjusted operating margin expanded 120bps YoY to 61.1%, even as payment network rebates and incentives rose 22% YoY (20% currency-neutral) on new/renewed deals.
- Value-added services and solutions (VAS) net revenue grew 20% reported / 18% currency-neutral, led by security, digital/authentication and consumer engagement services; ~60% of VAS revenue is now network-linked.
- Management raised confidence in FY2026 revenue growth to land at the high end of its low-double-digit-to-low-teens range, citing stronger H1 execution; GAAP FY26 guide now “low teens” net revenue growth vs. prior “high end of low double digits to low teens.”
- Shares rose as much as 2.7% pre-market and closed up 1.45% to \$571.49 on the day of results (released pre-market), before giving back some gains the following session; several sell-side analysts (JPMorgan, KeyBanc, BofA, KBW) raised price targets.
- Capital returns remained robust: \$4.9bn of buybacks and \$771m of dividends paid in the quarter, with \$7.8bn still authorized under the repurchase program.
- NEAR-TERM OUTLOOK: Bullish. Mastercard continues to compound double-digit revenue and EPS growth with margin expansion, and management sees the Middle East travel drag moderating into H2. Monitor: rising rebates/incentives pressuring gross revenue yield, and the pace of Europe purchase-volume deceleration as 2024 issuer-win tailwinds lap.

What Happened

Metric	Q2 2026	Q2 2025	YoY Change	vs. Consensus
Revenue (net revenue)	\$9,277m	\$8,133m	+14% (+12% CC)	Beat (~+2.4% vs. ~\$9.06bn est.)
Operating Profit (GAAP EBIT)	\$5,587m	\$4,777m	+17% (+14% CC)	-
Operating Income (Adjusted)	\$5,670m	\$4,873m	+16% (+14% CC)	-
Net Income (GAAP)	\$4,388m	\$3,701m	+19% (+16% CC)	-
Net Income (Adjusted)	\$4,453m	\$3,769m	+18% (+16% CC)	-
EPS (Adjusted, diluted)	\$5.04	\$4.15	+21% (+19% CC)	Beat (+5.7% vs. \$4.77 est.)

**Mastercard did not disclose a discrete Q2 per-share dividend figure in this release; the estimate above is derived from \$771m of dividends paid divided by ~883m diluted shares outstanding.*

Mastercard delivered a clean beat across every headline metric, with revenue, operating income, net income and EPS all growing at double-digit rates and outpacing Wall Street estimates. Growth was broad-based across payment network (net revenue +10% reported/+8% CC) and value-added services (+20%/+18% CC), supported by 8% gross dollar volume growth to \$2.9 trillion, 12% cross-border volume growth, and 9% switched transaction growth. The adjusted operating margin of 61.1% (+120bps YoY) places Mastercard among the most profitable large-cap payment networks, even as rebates and incentives paid to customers rose sharply. This marks the sixth consecutive quarter Mastercard has beaten consensus EPS.

Near-Term Sentiment: Bullish (broad-based beat, raised full-year confidence, positive stock reaction, and multiple analyst price-target increases, partially offset by rising rebate/incentive costs).

Why

Revenue growth was driven primarily by payment network volume (8% GDV growth to \$2.9 trillion, 12% cross-border volume growth, and 9% switched transactions growth), aided by resilient U.S. and international consumer/business spending, an increased availability of U.S. dollars in Venezuela boosting cross-border card-not-present spend, and a moderating drag from Middle East travel disruption; value-added services net revenue growth of 18% CC was led by security solutions (including Recorded Future/Mastercard Threat Intelligence), digital and authentication solutions, consumer acquisition and engagement services, and business/market insights and pricing. Profitability improved materially, with adjusted operating margin up 120bps YoY to 61.1% (GAAP margin up 150bps to 60.2%), as revenue growth of 14% outpaced adjusted operating expense growth of 11% (10% CC), driven mainly by higher general and administrative spend on strategic priorities including infrastructure hardening, geographic expansion and product innovation; this was achieved despite payment network rebates and incentives rising 22% YoY (20% CC) on new and renewed issuer deals, which Morningstar flagged as evidence that margin improvement is “much more difficult” on a gross-revenue basis. Below the line, interest expense rose to \$218m from \$195m on higher debt following June's bond issuance, and the effective tax rate improved to 20.0% from 20.8%/20.9% (as-reported/adjusted) on discrete tax benefits. The only material one-off was an \$82m pre-tax litigation provision (ATM non-discrimination surcharge complaints and U.S. merchant class opt-out claims), which reduced the GAAP operating margin by roughly 90bps versus the adjusted figure; a \$2m net pre-tax loss on equity investment mark-to-market adjustments was immaterial.

What Happens Next

Forward Guidance

- FY2026 net revenue growth (GAAP): “low teens,” up from prior “high end of low double digits to low teens”; non-GAAP currency-neutral ex-inorganic guide held at “high end of low double digits” but management now expects to land higher within that range.
- FY2026 operating expense growth (GAAP): “high end of high single digits” (unchanged); non-GAAP CC ex-inorganic guide raised to “high end of low double digits” from “low double digits.”
- Q3 2026: net revenue growth at the “high end of low double digits” CC ex-inorganic, with a ~0.5ppt FX headwind; operating expense growth in the “low double digits” CC ex-inorganic.

Guidance vs. Prior & Consensus: Management RAISED its confidence in FY2026 revenue growth within the same low-double-digit-to-low-teens range - now guiding to the high end / “low teens” GAAP - citing stronger-than-expected first-half execution; this follows a Q2 print that already beat Street revenue consensus (~\$9.06bn) by 2.4% and adjusted EPS consensus (\$4.77) by 5.7%.

Key Assumptions: (1) consumer and business spending remains healthy globally, supported by resilient employment and real purchasing power; (2) Middle East conflict-related travel impacts persist at similar levels to late Q2 rather than escalating further; (3) the BVNK stablecoin-infrastructure acquisition closes in Q3 2026 with minimal net revenue impact and a modest opex drag; (4) FX provides an approximate 1ppt tailwind to FY26 revenue and a 0.5–1ppt headwind to FY26 opex given the U.S. dollar's trajectory.

Stock Price Reaction (day of results, released before market open on 30 July 2026): shares gained as much as 2.7% in pre-market trading and closed the session up 1.45% to \$571.49, near the top of their 52-week range of \$464.52–\$601.77, as the beat-and-raise print reinforced Mastercard's standing as (in BofA analyst Matthew O'Neill's words) among “the top tier of payments compounders.” KBW's Sanjay Sakhrani raised his price target from \$665 to \$685, with JPMorgan, KeyBanc and BofA also lifting targets on the print. Shares gave back some of the gain the following session (down roughly 1.6% to \$568.65) as investors weighed continued Middle East travel headwinds and rising rebate/incentive costs against the raised outlook.

Analyst Sentiment: Bulls point to accelerating value-added-services monetization, resilient cross-border volumes (aided by Venezuela dollar availability), and margin expansion despite elevated incentive spend. Bears flag the persistent Middle East travel drag, decelerating European purchase-volume growth as 2024 issuer-win tailwinds lap, and the 22% YoY rise in rebates/incentives as a gross-margin offset. Net sentiment: Bullish, with the median Street price target near \$665 implying meaningful upside from current levels.

Key Positives, Negatives, Risks, and Concerns

- **Positives:** Broad-based beat with revenue +14%/EPS +21% YoY; VAS net revenue accelerating to +18% CC on security, digital/authentication and identity solutions; adjusted operating margin at 61.1%, among the highest in large-cap fintech; robust capital returns of \$4.9bn in buybacks plus \$771m dividends in the quarter.

- **Negatives:** Payment network rebates and incentives rose 22% YoY (20% CC), a structural offset to gross revenue yield; European purchase-volume growth has decelerated from the mid-teens as 2024 issuer-win tailwinds (Santander, NatWest, Unicredit) lap; U.S. debit GDV growth was soft at +1% reported (management estimates +8% excluding the completed Capital One portfolio migration).
- **Material Risks & Concerns:** Continued Middle East geopolitical volatility could reintensify the cross-border travel drag beyond management's base case; the pending BVNK acquisition carries integration and regulatory-timing risk; the Venezuela USD-availability and World Cup-related cross-border tailwinds may not persist into future quarters; and longer-term disintermediation risk from stablecoins and agentic/account-to-account payment rails, though Mastercard is positioning via Agent Pay, OpenStandard and BVNK to participate in that shift.

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Microsoft Corporation (MSFT) Q4 FY2026 Earnings

Quarter ended June 30, 2026 | Reported July 29, 2026 (after market close)

Executive Summary

- Decisive Q4 beat: revenue of \$90.0b (+18% YoY, ~2.7% above consensus \$87.6b); non-GAAP EPS \$4.74 (+23% YoY, ~11.8% above consensus \$4.24); GAAP EPS \$4.81 (+32%).
- Azure accelerated to 43% growth (from 40% in Q3), pushing full-year Azure revenue above \$100b for the first time; Microsoft Cloud revenue reached \$59.3b (+27%).
- Microsoft 365 Copilot surpassed 30 million paid seats; commercial remaining performance obligation (RPO) grew 84% YoY to \$678b.
- FY27 Q1 guidance: revenue of \$89.85-90.95b (+16-17% YoY), modestly above the ~\$89.66b analyst consensus; capex to remain elevated at over \$50b in Q1 alone.
- Balance sheet remains strong with \$76.8b in cash and short-term investments, though free cash flow fell 23% YoY to \$19.6b on higher capex (\$41.0b, +70% YoY).
- Stock surged approximately 9% the day after results (July 30, released post-close) to around \$427, with sell-side price targets broadly raised (Citi to \$600, Wells Fargo to \$650, Bernstein to \$647); Barclays was the outlier, trimming to \$512.
- NEAR-TERM OUTLOOK: Bullish. Azure re-acceleration and disciplined capex framing (vs. peers' capex-driven sell-offs) reset sentiment after a punishing 2026 for the stock. Monitor: FY27 capex growth and margin trajectory as AI infrastructure investment continues to scale.

What Happened

Metric	Q4 FY26	Q4 FY25	YoY Change	vs. Consensus
Revenue	\$90.0b	\$76.4b	+18% (+17% cc)	Beat (~+2.7%, vs. \$87.6b)
Operating Profit (EBIT)	\$40.6b	\$34.3b	+18%	-
Net Income (GAAP)	\$35.8b	\$27.2b	+31%	-
Net Income (Adjusted, non-GAAP)	\$35.3b	\$28.8b	+22%	-
EPS (Adjusted, non-GAAP)	\$4.74	\$3.86	+23%	Beat (~+11.8%, vs. \$4.24)
EPS (GAAP, diluted)	\$4.81	\$3.65	+32%	-

Microsoft closed fiscal 2026 with a decisive top- and bottom-line beat, extending its streak of consecutive EPS beats to five quarters. Non-GAAP EPS of \$4.74 beat consensus by nearly 12%, more than four times the magnitude of the ~2.7% revenue beat, indicating strong cost discipline and operating leverage alongside continued heavy AI infrastructure investment. Azure and other cloud services revenue grew 43% (from 40% in Q3), ahead of the roughly 40% consensus, and full commercial RPO rose 84% YoY to \$678b, reflecting record enterprise commitments outside of frontier-model customers. Results also benefited from a \$3.2b mark-to-market gain on Microsoft's Anthropic investment and lower-than-expected Voluntary Retirement Program costs, together adding \$0.27 to diluted EPS versus prior guidance.

Near-Term Sentiment: Bullish (Azure re-acceleration to 43%, Copilot seat growth past 30 million, and capex that came in below feared levels all drove the stock roughly 9% higher the day after results, with the majority of sell-side price targets raised).

Why

Revenue growth was driven primarily by Intelligent Cloud (+32% to \$39.3b), where Azure accelerated to 43% growth on demand that continues to exceed available capacity, alongside efficiency gains that allowed additional in-quarter capacity to be monetized quickly; Productivity and Business Processes grew a more modest 14% to \$37.8b as Microsoft 365 Commercial cloud growth normalized to

16% (adjusted) against a tougher prior-year comparable. Profitability improved with operating income up 18% to \$40.6b and operating margin roughly flat year-over-year at 45%, as continued efficiency gains in Azure and Microsoft 365 Commercial cloud offset gross margin pressure from the ongoing mix shift toward Azure and further AI infrastructure investment (company gross margin fell to 67% from prior-year levels, and Microsoft Cloud gross margin declined to 65% from 68%). Operating expense growth of 10% was driven by continued R&D compute, talent, and data investment, while total headcount actually declined 2% year-over-year, reflecting cost discipline even amid heavy AI capex. Below the line, GAAP net income and EPS were flattered by a \$3.2b gain on the Anthropic investment (adding \$0.33 to EPS) and lower Voluntary Retirement Program costs, partially offset by XBOX severance and impairment charges; together these discrete items added \$0.27 to diluted EPS versus the guidance Microsoft gave on April 29, 2026, meaning close to two-thirds of the reported EPS beat over consensus reflects the investment gain rather than core operating performance. Effective at the start of FY27, Microsoft also extended estimated useful lives of datacenters and office buildings from 15 to 25 years, which will reduce future depreciation and shift more datacenter leases from finance to operating leases, lifting the FY27 calendar-year capex guide to approximately \$175b even though underlying investment plans are unchanged.

What Happens Next

Forward Guidance (FY27 Q1):

- Total revenue: \$89.85b to \$90.95b (+16% to +17% YoY)
- Productivity and Business Processes revenue: \$36.7b to \$37.0b (+11% to +12%)
- Intelligent Cloud revenue: \$40.95b to \$41.25b (+33% to +34%), with Azure growth of approximately 45% in constant currency
- More Personal Computing revenue: \$12.2b to \$12.7b, with Windows OEM and Devices declining in the low twenties
- Operating margin: expected relatively flat year-over-year; effective tax rate approximately 20%
- Capital expenditures: expected to be over \$50b in Q1 (including lease reclassification impact); full calendar-year 2026 capex guide raised to approximately \$175b (driven by a lease-classification change, not incremental investment)

Guidance vs. Consensus: Q1 FY27 revenue guidance midpoint of ~\$90.4b sits modestly above the ~\$89.66b analyst consensus (LSEG); Azure guidance of ~45% constant-currency growth is above the ~40% consensus analysts had modeled ahead of the print. This is Microsoft's first specific guide for FY27 Q1, so there is no prior-quarter guidance to compare against for this metric; management affirmed a full FY27 outlook of double-digit revenue and operating income growth with operating margin down less than a point.

Key Assumptions:

- Continued Azure demand outpacing available capacity, with efficiency gains and faster capacity delivery timelines supporting incremental monetization
- FX to reduce total revenue growth by less than 1 point, with no meaningful impact to COGS or operating expenses
- Windows OEM/Devices and Server products revenue declines from a high prior-year comparable (Windows 10 end-of-support) and continued cloud migration
- M365 Commercial cloud acceleration through the year from Copilot, E5, and E7 premium mix, plus new usage-based billing layered onto per-seat licensing
- No major shift in AI capital intensity; FY27 capex to grow YoY, funded partly by short-lived assets (CPUs/GPUs) that offer flexibility if demand moderates

Stock Price Reaction (day after results, released post-close): MSFT shares rose approximately 9% in trading on July 30, 2026 (from a July 29 close of \$397.24 to around \$427 intraday), following a punishing start to 2026 in which the stock had been down roughly 20-25% year-to-date heading into the print. TheStreet's Michael Turrin (Wells Fargo) noted Azure's 43% constant-currency growth came in "ahead of the 41% Wells Fargo had been modeling," while Citi called the report "a solid rebuttal to the bear case." Sell-side reaction skewed strongly positive: Citi raised its target to \$600 (from \$570), Wells Fargo to \$650 (from \$625), Bernstein to \$647 (from \$646), and Piper Sandler to \$550 (from \$540); Barclays was the outlier, trimming its target to \$512 (from \$545) despite maintaining Overweight. The market focused on the quality of the beat - the outsized EPS beat relative to revenue, capex coming in below feared levels (\$41.0b vs. ~\$42b expected), and Azure's re-acceleration - which stood in sharp contrast to Alphabet's stock decline the prior week after it raised 2026 capex guidance.

Key Positives, Negatives, Risks, and Concerns

Positives: Azure's acceleration to 43% growth and the first full year above \$100b in revenue confirm continued AI-driven demand outpacing supply; Microsoft 365 Copilot's crossing of 30 million paid seats, alongside a near-doubling of quarterly net seat adds, signals genuine enterprise monetization rather than pilot-stage adoption; commercial RPO growth of 84% to \$678b provides strong revenue visibility, with growth driven by customers outside the frontier-model cohort. **Negatives:** free cash flow fell 23% YoY to \$19.6b as capital expenditures rose 70% to \$41.0b, and roughly two-thirds of the EPS beat over consensus came from a one-off \$3.2b Anthropic investment gain rather than core operating performance; More Personal Computing revenue declined 4% with Windows OEM and XBOX both under pressure, and Windows OEM revenue is guided to decline in the low twenties next quarter. **Risks and Concerns:** continued heavy AI capital intensity (FY27 capex guided higher, with the useful-life accounting change flattering near-term depreciation and margin optics rather than reflecting a genuine efficiency gain) leaves Microsoft exposed to the same capex-versus-monetization scrutiny that has weighed on peers such as Alphabet and Meta; sustained reliance on efficiency gains to offset Microsoft Cloud gross margin compression (down to 65% from 68% YoY) could prove harder to repeat if capacity constraints ease; and broader macro or AI-demand sentiment shifts remain a swing factor given the stock's high valuation and the market's evident sensitivity to capex framing across the hyperscaler cohort.

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Neste Oyj Q2 2026 Earnings

Reporting Period: Three Months Ended 30 June 2026 | Results Released: 24 July 2026 (pre-market)

Executive Summary

- All-time high quarterly comparable EBITDA of EUR 1,203m (+253% YoY), but this missed the EUR 1,227m consensus by ~2%, while revenue of EUR 5,987m (+32.7% YoY) missed the EUR 6,491m consensus by ~7.8%.
- Renewable Products comparable sales margin hit a record \$1,223/ton, well above the \$1,059/ton consensus, driven by Middle East-related supply disruption and elevated diesel/RIN prices.
- Capex guidance effectively raised: FY2026 cash-out capex (ex-M&A) now guided to ~EUR 1.2bn, the top of the prior EUR 1.0-1.2bn range, alongside three concurrent H2 maintenance turnarounds (Porvoo, Rotterdam, Singapore).
- Stock tumbled ~8% on the day of results (24 July, released pre-market) as the revenue and EBITDA miss and higher capex guidance outweighed the record margin and profitability metrics.
- Balance sheet strengthened further: leverage ratio fell to 29.9% (vs. 37.8% a year ago) against a <40% target, after tendering EUR 500m of green bonds; Moody's affirmed A3 with a stable outlook.
- Regulatory tailwinds solidified, with RED III now implemented in Germany, the Netherlands and Spain and a finalized U.S. RVO removing policy ambiguity for renewable diesel/SAF demand.
- NEAR-TERM OUTLOOK: Neutral-to-cautious. Underlying profitability and margin capture are excellent, but the market is focused on the top-line/EBITDA miss, capex increase, and softer Renewable Products utilization (75% vs. 81% YoY).
- Monitor: execution of three simultaneous H2 turnarounds (Porvoo, Rotterdam, Singapore) and the durability of exceptional Middle East-driven refining and renewable margins into Q3/Q4.

What Happened

Metric	Q2 2026	Q2 2025	YoY Change	vs. Consensus
Revenue	EUR 5,987m	EUR 4,511m	+32.7%	Miss (-7.8% vs. EUR 6,491m)
Comparable EBITDA	EUR 1,203m	EUR 341m	+252.8%	Miss (-2.0% vs. EUR 1,227m)
EBITDA (reported)	EUR 1,144m	EUR 246m	+365.0%	-
Operating Profit (EBIT)	EUR 918m	EUR 18m	n.m.	-
Net Income (GAAP)	EUR 765m	-EUR 36m	n.m.	-
EPS (Adjusted/Comparable)	EUR 1.06	EUR 0.06	n.m.	-
EPS (GAAP, basic)	EUR 1.00	-EUR 0.05	n.m.	-

Neste delivered its best quarter ever on profitability, with comparable EBITDA nearly quadrupling year-on-year as the Middle East conflict and Strait of Hormuz disruption drove exceptionally wide diesel cracks and record renewable sales margins. However, both revenue and comparable EBITDA fell short of Vara Research consensus (by roughly 7.8% and 2.0% respectively), primarily reflecting lower Oil Products sales volumes ahead of the Porvoo turnaround and softer Renewable Products own-production utilization (75%, down from 81% a year earlier) after a delayed equipment replacement in Singapore. Sustainable aviation fuel volumes of 126kt beat the 113kt consensus, and the renewable comparable sales margin of \$1,223/ton was well above the \$1,059/ton consensus.

Near-Term Sentiment: Neutral-to-Bearish (mixed) - shares fell despite record EBITDA, as investors focused on the revenue/EBITDA miss versus consensus and the raised capex guidance rather than the underlying margin strength.

Why

Revenue rose 32.7% YoY almost entirely on price: higher end-product prices added ~EUR 2.4bn, more than offsetting a ~EUR 0.7bn drag from lower Oil Products volumes (pre-turnaround inventory build) and a ~EUR 0.2bn FX/trading-volume headwind. Profitability improved dramatically, with the comparable EBITDA margin expanding to 20.1% from 7.6% a year earlier (+1,250bps): Renewable Products comparable EBITDA rose to EUR 859m (174m) as the sales margin surged to \$1,223/ton (361/ton) on record-high U.S. RIN D4 prices (\$2.12/RIN vs. \$1.09) and elevated diesel prices, partly offset by fixed-cost/currency drag and a lower 75% (81%) utilization rate; Oil Products comparable EBITDA rose to EUR 334m (135m) as the total refining margin jumped to \$25.8/bbl (10.0/bbl) on exceptionally wide middle-distillate cracks following the Hormuz blockage and reduced Russian exports, with Porvoo utilization at 90% (92%); Marketing & Services EBITDA fell to EUR 23m (32m) on softer Nordic/Baltic volumes, tighter unit margins and inventory losses from volatile product prices. The Performance Improvement Program added a further EUR 118m of in-quarter EBITDA benefit (60% cost reduction, 40% revenue/margin optimization), lifting the cumulative annualized run-rate improvement to EUR 594m against the 2024 baseline, versus a EUR 350m full-year target. Below the EBITDA line, D&A was roughly flat (EUR 226m vs. 228m), while net financial income swung favorably to +EUR 30m (-70m) on EUR 65m of precious-metal-loan fair-value gains; the effective tax rate was 19%, versus a tax benefit in the prior-year loss-making quarter. The only material one-off was an EUR 87m inventory valuation loss (EUR 111m loss in Q2 2025), broadly in line year-on-year and not thesis-changing.

What Happens Next

Forward Guidance:

- FY2026 Renewable Products sales volumes: expected approximately in line with 2025 (affirmed).
- FY2026 Oil Products sales volumes: expected lower than 2025 due to the planned Porvoo maintenance turnaround (affirmed).
- FY2026 cash-out capex (ex-M&A): approximately EUR 1.2bn, the top end of the prior EUR 1.0-1.2bn range (effectively raised/narrowed upward).

Guidance vs. Consensus: Neste does not issue explicit \$ revenue/EPS guidance, so no direct guidance-vs-consensus read-through is available; however, the raised capex guidance sits above what analysts had been modeling at the low end of the prior range, a modestly negative surprise for near-term free cash flow expectations.

Change from Prior Guidance: Capex guidance RAISED/narrowed to ~EUR 1.2bn (from EUR 1.0-1.2bn); sales-volume guidance for both segments AFFIRMED unchanged from the Q1 2026 release.

Key Assumptions:

- Management's base case assumes feedstock costs rise further in H2 2026, while diesel prices remain highly dependent on the evolving Middle East/Strait of Hormuz situation.
- Three concurrent H2 2026 maintenance turnarounds - Porvoo (8 weeks from August), Rotterdam (8 weeks in Q4), and Singapore (11 weeks from December, one production line) - will reduce oil and renewable volumes; management stated it will not shorten these to chase near-term margin.
- Capital allocation priority for the next few years is on earning returns from existing investments (Rotterdam, Singapore Line 2) and continued deleveraging, ahead of any new capacity decisions, which management says will be revisited around 2027-2028.
- Rotterdam expansion (2.7 Mt/a capacity, +24% to Neste's renewables capacity) remains on track for a 2027 start, with the EUR 2.5bn budget reaffirmed and no new cost overruns reported.

Stock Price Reaction (day of results, released pre-market): Neste shares tumbled approximately 8% on 24 July 2026, the day results were released before the Helsinki market open, as the revenue and adjusted EBITDA misses and the raised capex guidance outweighed the record profitability and margin metrics.

Investing.com (Vahid Karaahmetovic): "Neste shares tumbled about 8% Friday after the company reported second-quarter revenue and profit that fell short of market expectations and raised its capital expenditure guidance, while its renewable products business posted a record-high sales margin driven by Middle East-related supply disruptions."

Market focus was on the magnitude of the top-line/EBITDA miss versus Vara Research consensus and the capex increase, rather than the record renewable sales margin or the SAF volume beat, both of which were framed by commentators as secondary to the headline miss.

Analyst Sentiment:

- Bulls note the SAF volume beat (126kt vs. 113kt consensus), the record \$1,223/ton renewable sales margin (vs. \$1,059/ton consensus), and the leverage ratio falling to 29.9%, well inside the <40% target, alongside Moody's stable-outlook A3 affirmation.
- Bears highlight the revenue and EBITDA misses, the raised capex guidance, and the drop in Renewable Products own-production utilization to 75% (from 81%) on a delayed Singapore equipment replacement.
- Net sentiment: Neutral, tilting cautious near-term - the ~8% share price decline on the day of results signals the market is pricing the miss and capex increase more heavily than the record margin performance.

Key Positives, Negatives, Risks, and Concerns

Key Positives:

- All-time high comparable EBITDA (EUR 1,203m) and a record renewable sales margin (\$1,223/ton), which beat consensus by \$164/ton on Middle East-driven diesel and RIN price strength.
- Balance sheet materially strengthened, with leverage down to 29.9% (from 37.8% a year ago), a EUR 500m green-bond tender completed, and Moody's affirming A3 with a stable outlook.
- Regulatory backdrop is now firmly favorable, with RED III implemented across Germany, the Netherlands and Spain and a finalized U.S. RVO, supporting a projected >10% RD and >35% SAF demand CAGR to 2030.

Key Negatives:

- Revenue (-7.8%) and comparable EBITDA (-2.0%) both missed Vara Research consensus, and capex guidance was raised to the top of the prior range.
- Renewable Products own-production utilization fell to 75% (from 81% a year earlier) due to a delayed equipment replacement in Singapore.
- Marketing & Services EBITDA declined to EUR 23m (from EUR 32m) on softer Nordic/Baltic demand, tighter unit margins and inventory losses.

Material Risks & Concerns:

- Continued Middle East/Strait of Hormuz volatility makes crude, feedstock and freight costs difficult to predict and could reverse the exceptionally wide refining and renewable margins seen in Q2.

- Three concurrent H2 2026 maintenance turnarounds (Porvoo, Rotterdam, Singapore) carry execution and ramp-up risk, given Neste's own acknowledgment that the prior Singapore Line 2 startup was "not an easy start."
- Rising capital intensity (raised capex guidance plus the ongoing EUR 2.5bn Rotterdam expansion) increases sensitivity to any normalization of currently exceptional margins.

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Novonesis A/S (Nasdaq Copenhagen: NSIS B)

Q2 2026 Earnings Analysis - Three Months Ended 30 June 2026 (reported within H1 2026 Interim Report)

Executive Summary

- Strong Q2 2026 beat: net sales EUR 1,116.2m (+9.6% reported, +9% organic vs. 7.4% consensus); adj. EBITDA EUR 419.2m (vs. EUR 413m consensus), margin 37.6% (vs. 37.4% consensus).
- Broad-based growth led by Food & Beverages (+11% organic) and Household Care (+12% organic, vs. 5.6% consensus), while Agriculture, Energy & Tech (+7% organic) missed the 8.6% consensus estimate.
- FY2026 guidance RAISED to 7-8% organic sales growth (from 5-7% previously), with adjusted EBITDA margin now guided to the higher end of the 37-38% range.
- Shares rose +9.6% (DKK 412.50 to DKK 452.30) day after results, released post-close 19 August; Barclays (Overweight, PT DKK 470) and Bank of America (Buy, PT DKK 500) both reiterated bullish ratings.
- Board approved an inaugural EUR 1bn multi-year share buyback (2026-2029) alongside a DKK 2.35 interim dividend; NIBD/EBITDA improved to 1.8x from 2.1x a year earlier.
- Signed agreement (10 August) to acquire the remaining 77% of MicroBioGen, a bolt-on strengthening yeast and biofuel capabilities.
- NEAR-TERM OUTLOOK: Bullish. Broad-based biosolutions demand and self-help margin gains support the raised guidance. Monitor: continued North American dietary supplement softness and the sustainability of the current growth trajectory into tougher H2 comparables.

What Happened

Metric	Q2 2026	Q2 2025	YoY Change	vs. Consensus
Net Sales (Revenue)	EUR 1,116.2m	EUR 1,018.5m	+9.6% rep. / +9% org.	Beat: EUR 1,100m est. (+1.5%)
Operating Profit (EBIT)	EUR 252.8m	EUR 192.5m	+31.3%	Not disclosed
Net Income (GAAP)	EUR 171.7m	EUR 136.8m	+25.5%	Not disclosed
Net Income (Adjusted)	EUR 179.4m	EUR 169.9m	+5.6%	Not disclosed
Adj. EBITDA	EUR 419.2m	EUR 370.6m	+13.1%	Beat: EUR 413m est. (+1.5%)
Adj. EBITDA Margin	37.6%	36.4%	+120 bps	Beat: 37.4% est. (+20 bps)
EPS (Adjusted, diluted, excl. PPA)	EUR 0.52	EUR 0.47	+10.6%	Not disclosed

Novonesis delivered a clean beat-and-raise quarter, with Q2 2026 organic sales growth of 9% comfortably ahead of the 7.4% company-compiled consensus and adjusted EBITDA of EUR 419.2m topping the EUR 413m estimate. Net sales of EUR 1,116.2m exceeded the EUR 1,100m consensus, while the adjusted EBITDA margin of 37.6% beat the 37.4% expected level by 20 bps. Growth was broad-based across both segments: Food & Health Biosolutions grew 9% organically (Food & Beverages +11%, Human Health +4%) and Planetary Health Biosolutions grew 9% (Household Care +12%, Agriculture, Energy & Tech +7%, missing the 8.6% consensus). H1 2026 organic sales growth was 8%, with adjusted EBITDA margin of 37.7%, up 30 bps year-on-year.

Near-term sentiment: Bullish (driven by the organic growth and margin beat, the guidance raise, and the inaugural buyback announcement; tempered by continued softness in U.S. dietary supplements and investor questions, per J.P. Morgan's Chetan

Udeshi, on whether the growth rate is sustainable).

Why

Revenue growth was driven primarily by volume (including a good 1pp from synergies) and pricing (~2pp), with the Feed Enzyme Alliance acquisition contributing a further 2pp to reported EUR growth in Q2; a 1pp currency headwind and a ~1.5pp drag from exiting certain countries were partial offsets. Food & Beverages (+11%) benefited from broad-based demand for cleaner-label, healthier-food solutions across dairy, baking, beverages and plant-based categories, while Household Care (+12%) was driven by deeper penetration with local and regional players in both developed and emerging markets against a softer prior-year comparable. Agriculture, Energy & Tech (+7%) was led by double-digit growth in Energy (rising ethanol production and biofuel demand), though this undershot the higher consensus bar.

Profitability improved meaningfully: the adjusted EBITDA margin expanded 120 bps year-on-year to 37.6%, driven by a higher adjusted gross margin (59.4%, +80 bps) on pricing, productivity gains and sales leverage, plus cost synergies from the Feed Enzyme Alliance integration. This was partly offset by an 11% year-on-year rise in operating expenses (32.7% of sales) tied to the 400+ commercial hires made in 2025 and continued integration costs. Special items were EUR 8.8m in Q2 2026, down from EUR 27.3m in Q2 2025 (largely Chr. Hansen and Feed Enzyme Alliance integration costs plus ERP implementation spend) - below the materiality threshold for margin impact.

What Happens Next

Forward Guidance: FY2026 organic sales growth of 7-8% (8-9% excluding country exits); adjusted EBITDA margin at the higher end of the 37-38% range; NIBD/EBITDA expected at ~1.8x at year-end; CapEx guided to an elevated 12-14% of sales (temporary, funding capacity expansion toward 2030).

Guidance vs. Prior & Consensus: RAISED from 5-7% to 7-8% organic sales growth guidance, with EBITDA margin guidance narrowed to the higher end of 37-38% (previously the full range). Barclays called the combination of the beat, guidance raise and buyback “supportive of modest consensus upgrades”; Morningstar raised its FY2026 organic growth estimate to 7.5% from 6.8%, in line with the new guide.

Key Assumptions: guidance assumes current global trade tariff levels persist; a good 1pp contribution each from pricing and synergies; a neutral full-year effect from the Q1 Animal inventory build-up; only slight growth in Human Health as North American dietary supplements remain soft; and a minor H2 drag (~40 bps) from reimbursing U.S. tariffs to customers.

Stock Price Reaction (day after results, released post-close 19 August 2026): shares closed at DKK 412.50 on 19 August (pre-release close) and DKK 452.30 on 20 August - up 9.6% (+DKK 39.80) on confirmed close-to-close pricing, consistent with Morningstar's reported “10%” move and Investing.com's “shares jump 9%” headline. Barclays (Overweight, PT DKK 470) called results “high quality and strongly supportive” of its rating and said the buyback “provides a strong signal on capital allocation.” Bank of America reiterated Buy with a DKK 500 target and lifted 2026-28 EPS estimates by 1%. Market focus centred on the organic growth and margin beat, the guidance raise, and the inaugural buyback.

Analyst Sentiment: Bulls point to broad-based biosolutions demand, self-help margin gains and the buyback as confirmation that elevated 2026-27 capex is temporary. Bears note that Human Health remains “the area of caution” on soft U.S. probiotic supplements demand, that Agriculture, Energy & Tech missed consensus, and that some investors (per J.P. Morgan) worry the growth rate looks “too good to be true.” Net sentiment: Bullish, with a 3-star “Fairly Valued” Morningstar rating (fair value raised 5% to DKK 440) reflecting the rally having largely closed the prior valuation gap.

Key Positives, Negatives, Risks, and Concerns

- Positive: broad-based organic growth beat (9% vs. 7.4% consensus) with EBITDA margin expansion to 37.6%, led by Food & Beverages (+11%) and Household Care (+12%).
- Positive: FY2026 guidance raised to 7-8% organic growth with EBITDA margin now guided to the higher end of 37-38%, alongside an inaugural EUR 1bn buyback and improved leverage (NIBD/EBITDA 1.8x vs. 2.1x).
- Negative: Human Health growth remains soft (+4%) on continued North American dietary-supplement weakness, expected to persist through 2026.

- Negative: Agriculture, Energy & Tech organic growth of 7% missed the 8.6% consensus estimate despite double-digit Energy growth.
- Risk: elevated CapEx (9.7% of sales in H1, guided 12-14% for FY) is temporarily depressing free cash flow, which was flat year-on-year at EUR 307.6m despite the earnings beat.
- Risk: sustainability skepticism - investors have questioned (per J.P. Morgan) whether the growth trajectory is “too good to be true,” with Q3 facing tougher comparables and the neutral full-year unwind of the Q1 Animal inventory build.
- Risk: regulatory/timing uncertainty around U.S. year-round E15 ethanol blending remains a swing factor for the bioenergy business, not currently embedded in guidance.

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Schneider Electric SE

H1 & Q2 2026 Earnings Analysis

Executive Summary

- Record H1 revenue of €21.23bn (+14.0% organic; +9.8% reported), with Q2 revenue of €11.46bn (+16.5% organic) also a record for any quarter.
- Record H1 Adjusted EBITA of €4.09bn (+22.1% organic); margin expanded 120bps organic to 19.3%, comfortably ahead of company-compiled consensus of 18.5%.
- Data Center & Networks demand up triple-digit in Q2, driving Energy Management organic growth of +17.7%; Industrial Automation accelerated to +11.0% organic.
- FY2026 guidance RAISED: revenue growth to +10% to +13% organic (from +7% to +10%) and Adjusted EBITA margin expansion to +70-100bps organic (from +50-80bps), implying a 19.4%-19.7% margin.
- Shares traded +6% intraday on the day of results (30 Jul 2026); Morningstar raised its fair value estimate 5% to €262, citing greater confidence in the 250bps 2030 margin target.
- Record H1 Free Cash Flow of €1.63bn (+244% reported; +140% ex a one-off French legal fine in H1 2025), alongside continued M&A (Cognite, AiDASH) and an ongoing €600m buyback.
- NEAR-TERM OUTLOOK: Bullish – broad-based demand across all four end-markets and disciplined pricing/productivity execution underpin the raised guidance. Monitor: Middle East disruption to H2 supply chains/inflation and a tougher H2 productivity comparison base.

What Happened

Metric	H1 2026	H1 2025	YoY Change	vs. Consensus
Revenue	€21,226m	€19,336m	+9.8% rep. / +14.0% org.	Beat (ahead of prior +7-10% FY guide)
Adjusted EBITA	€4,093m	€3,510m	+16.6% rep. / +22.1% org.	Beat (margin 19.3% vs. 18.5% consensus)
Net Income (GAAP)	€2,488m	€1,913m	+30.1%	-
Net Income (Adjusted)	€2,696m	€2,228m	+21.0% rep. / +28.8% org.	-
EPS (Adjusted)	€4.79	€3.97	+20.7% rep. / +28.5% org.	-

Schneider Electric delivered a record first half, with revenue, Adjusted EBITA and free cash flow all at all-time H1 highs. Organic growth of 14.0% in H1 (accelerating to 16.5% in Q2) ran well ahead of the company's original 7-10% full-year guidance range, driven by broad-based demand across all four regions and both business lines. The 19.3% H1 Adjusted EBITA margin beat company-compiled consensus of 18.5% by roughly 80bps, and management raised full-year guidance as a result. Net income rose 30.1% to €2.49bn, aided by a lower one-off drag than H1 2025 (which included a €207m legal fine and a €274m Uplight impairment, both absent in H1 2026).

Near-Term Sentiment: Bullish (driven by the margin beat, the guidance raise, and a +6% intraday share price reaction), tempered by ongoing Middle East-related uncertainty.

Why

Revenue growth was driven overwhelmingly by volume, with Data Center & Networks demand up triple-digit in Q2 across hyperscale, colocation, sovereign and regional operators, lifting Energy Management to +17.7% organic in Q2 (+15.4% in H1); Industrial Automation accelerated to +11.0% organic in Q2 as Discrete automation recovered and Process & Hybrid returned to growth, while North America (+23.1% organic in Q2) and China & East Asia (+19.7%) led by region. Profitability improved markedly: H1 Adjusted

EBITA margin expanded 120bps organic to 19.3%, with the volume impact alone contributing +€987m and industrial productivity delivering +€535m, both showing strong sequential improvement through Q2 as the Group's operational-excellence program scaled faster than initially planned. Net pricing was still a modest headwind (-€154m), as gross pricing on products of +€280m (accelerating to roughly 4 points of product growth in Q2, a 2.5x sequential improvement vs. Q1) was more than offset by a -€330m raw-material impact (mainly copper and silver) and a -€104m net tariff impact, partly cushioned by a €100m tariff refund received in Q2; product mix was a further -€148m drag given the outsized 28% organic growth in the higher-cost Systems business (largely data-center prefabricated solutions and cooling). Below the line, net financial expense rose to -€286m (+€38m YoY) on higher bond-refinancing costs, and the effective tax rate held at 24.0% (in line with FY26 guidance of 23-25%); H1 2025 comparables were depressed by a €207m legal fine and a €274m non-cash Uplight impairment, neither of which recurred in H1 2026, which mechanically inflates the net income growth rate. Restructuring costs rose to -€127m (from -€63m) as previously communicated incremental charges (guided to ~€450m for FY26) build toward the 2025-2027 €500m cumulative restructuring envelope tied to Industrial Automation portfolio simplification, which also drove a -€147m other-operating-expense impairment of capitalized development costs.

What Happens Next

Forward Guidance (FY2026, upgraded):

- Adjusted EBITA growth of +14% to +19% organic for FY2026 (upgraded from the prior implied range).
- Revenue growth of +10% to +13% organic (RAISED from +7% to +10%).
- Adjusted EBITA margin up +70bps to +100bps organic (RAISED from +50bps to +80bps), implying a margin of approximately 19.4% to 19.7%.

Guidance vs. Prior & Consensus:

- RAISED across both revenue growth (+7-10% → +10-13% organic) and margin expansion (+50-80bps → +70-100bps organic); management explicitly attributed the raise to H1 outperformance versus its own internal plan rather than one-off items.
- Morningstar (company-compiled H1 margin consensus of 18.5%) responded by raising its FY2026 fair value estimate 5% to €262 (from €248.32), now modelling average EBITA margin of 20.5% (from 20.0%) and lifting its 5-year annualized EPS growth estimate to 13% (from 11%); shares are rated Fairly Valued (Price/Fair Value 0.98, 3-star).

Key Assumptions:

- Data Center & Networks momentum sustains on a record backlog; Industry and Infrastructure contribute strongly; Buildings tracks the macro cycle.
- Group turns Net Price positive in value for FY26 (price fully offsetting raw-material and tariff impacts), reversing H1's -€154m net price drag.
- Productivity and operating leverage continue to support margin in H2, though against a tougher comparison base (>70% of FY2025 productivity was delivered in H2 2025).
- Disruption in the Middle East (< 5% of 2025 revenue) persists through H2, with potential pressure on global supply chains and inflation depending on conflict duration.
- Disciplined execution of the Company Program and capital allocation continues, including the pending Cognite (\$3.1bn) and AiDASH (\$350m) acquisitions, subject to customary regulatory approvals.

Stock Price Reaction (day of results – released pre-market, 30 Jul 2026):

- Shares traded +6% intraday on 30 Jul 2026, the day of results (results released 06:30 UTC, ahead of the Euronext Paris session).
- Morningstar's Matthew Donen, CFA: "First-half results demonstrate that its EBITA margin expansion is finally starting to catch up, giving us greater confidence that the group will achieve its 250-basis-point EBITA margin target by 2030 and is likely the biggest driver behind the market's positive reaction."
- Donen also noted: "Data centers remain the biggest driver for Schneider Electric, which led to 18% organic revenue growth in its energy management segment and outperformed our initial expectations."
- Market focus was squarely on the margin beat and the upgraded FY26 targets, with the raised guidance for revenue and Adjusted EBITA margin cited as the principal catalysts.

Analyst Sentiment:

- Bulls: margin inflection (120bps organic in H1) validates the 2030 250bps EBITA target and de-risks the medium-term thesis; data-center backlog and broadening demand (Semiconductor, grid, India) reduce single-theme reliance.
- Bears: net pricing remains negative (-€154m in H1) with raw-material/tariff headwinds only fully offset in management's H2 assumptions, not yet delivered; JP Morgan's Philip Buller flagged that the H1-weighted margin beat raises questions over the conservatism (or sustainability) of the implied H2 deceleration.
- Net sentiment: Bullish – Morningstar raised its fair value estimate and rates shares 3-star/Fairly Valued following the print.

Key Positives, Negatives, Risks, and Concerns

Key Positives:

- Record H1 revenue, Adjusted EBITA margin (19.3%, +120bps organic) and free cash flow (€1.63bn), with the margin beat driving a full-year guidance raise.
- Broad-based growth across all four end-markets and regions (not solely data-center led), with Industrial Automation returning to double-digit organic growth in Q2.
- Strong balance sheet and capital discipline: A-grade credit ratings reaffirmed post-Cognite announcement, €600m buyback on track, and continued dividend growth.

Key Negatives:

- Net pricing remained negative in H1 (-€154m), with raw-material inflation (copper, silver) and tariffs still only partly offset by gross pricing actions.
- Industrial Automation margin (14.0%) remains well below the Group average and its 18%-by-2028 target, despite double-digit revenue growth, reflecting still-limited drop-through.
- H1 net income growth was flattered by non-recurrence of H1 2025's €207m legal fine and €274m Uplight impairment, masking somewhat slower underlying (cash-conversion) improvement.

Material Risks & Concerns:

- Middle East conflict-related disruption could pressure H2 global supply chains and inflation, with duration-dependent severity acknowledged by management.
- H2 faces a materially tougher productivity comparison base (>70% of FY2025 productivity fell in H2 2025), raising execution risk against the raised margin guidance.
- Elevated AI/data-center capex sentiment globally creates valuation and demand-normalization risk if hyperscaler spending decelerates, even though management characterizes current order visibility as strong.

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Siemens AG – Q3 FY2026 Earnings Analysis

Quarter ended June 30, 2026 | Reported August 6, 2026 | XETRA: SIE

Executive Summary

- Record Q3: orders surged 14% (comparable) to an all-time high of €27.9bn; Industrial Business profit jumped 25% to €3.5bn, comfortably beating the €3.2bn consensus.
- Revenue grew 8% (comparable) to €20.8bn, led by Smart Infrastructure (+13%) and Digital Industries (+10%); Mobility revenue rose 6%.
- Industrial Business margin expanded 240bps YoY to 17.3%, driven by DI/SI operating leverage, richer software mix, and US tariff refunds.
- FY2026 EPS pre PPA guidance RAISED to €11.20–€11.50 (from €10.70–€11.10), roughly 4% above the prior midpoint.
- Smart Infrastructure guidance also raised: revenue growth to 10–11% (from 8–10%) and margin to 18.5–19.5% (from 18–19%) on record data-center order momentum.
- Shares fell approximately 5% intraday on results day despite the beat-and-raise, as strong expectations were already priced in.
- Free cash flow rose 42% to €4.1bn; record order backlog reached €132bn on a book-to-bill of 1.34.
- NEAR-TERM OUTLOOK: Bullish operationally on AI/data-center infrastructure demand. Monitor: rich valuation and Mobility margin compression (-70bps).

What Happened

Metric	Q3 FY26	Q3 FY25	YoY Change	vs. Consensus
Revenue	€20.8bn	€19.4bn	+8% (comparable)	Ahead of expectations
Profit – Industrial Business	€3.5bn	€2.8bn	+25%	Beat (Morningstar consensus €3.2bn)
Net Income (Group, GAAP)	€2.6bn	€2.2bn	+15%	-
EPS pre PPA (Adjusted)	€3.14	€2.78	+13%	Beat (implied by guidance raise)
Free Cash Flow (Group, all-in)	€4.1bn	€2.9bn	+42%	-

Siemens delivered a record Q3 FY2026, with orders, revenue, industrial profit and free cash flow all rising sharply and clearing Street expectations; Industrial Business profit of €3.5bn beat Morningstar's company-compiled consensus of €3.2bn by roughly 9%. Growth was broad-based across all three industrial businesses, but Smart Infrastructure was the standout, posting 42% order growth to a record €8.0bn on data-center demand, while Digital Industries confirmed its recovery with 9% order growth and a 420bps margin improvement. A book-to-bill of 1.34 lifted the order backlog to a record €132bn, underpinning revenue visibility into fiscal 2027.

Near-Term Sentiment: Neutral-to-cautiously bullish - operational momentum is unambiguously positive and guidance was raised, but shares fell intraday as results were already reflected in a stock trading at a premium to fair value.

Why

Revenue growth of 8% (comparable) was driven primarily by Smart Infrastructure, where electrification (+20%) and electrical products (+18%) revenue surged on data-center-related backlog conversion, and by Digital Industries, where software revenue grew 15% (EDA up more than 30%) and automation revenue rose 7% on a China-led recovery (China automation orders +17%, revenue +9%) alongside a US rebound (automation revenue +13%). Industrial Business profitability improved sharply, with margin up 240bps YoY to 17.3%: Digital Industries margin jumped 420bps to 18.7% on a richer software mix (Altair/Dotmatics integration synergies, at a 70bps net integration-cost drag, in line with plan) and automation operating leverage; Smart Infrastructure margin rose 120bps to 20.0% on economies of scale and productivity, though a 50bps net tariff-refund benefit (US, mainly at Siemens Healthineers) was partly offset by an e-mobility charging impairment, with a further 50bps FX drag. Mobility was the one soft spot, with margin down 70bps to 8.6% on

a less favorable project mix and higher severance costs, despite 6% revenue growth. Below the Industrial Business line, net income of €2.6bn benefited from a €156m gain on the sale of a UK equity stake within Siemens Financial Services and a €77m divestment gain, at a tax rate of 25.1%; no other material one-off items were disclosed in the quarter.

What Happens Next

Forward Guidance (FY2026)

- Group revenue growth: 6%–8% comparable, with management targeting the upper half of the range
- EPS pre PPA: €11.20–€11.50; Group book-to-bill target: >1
- Digital Industries: revenue growth 7–10%, margin 17–19% (both confirmed)
- Smart Infrastructure: revenue growth 10–11%, margin 18.5%–19.5% (both RAISED)
- Mobility: revenue growth 5–7%, margin 8–10% (both confirmed)

Guidance vs. Prior & Consensus

RAISED - FY2026 EPS pre PPA guidance increased to €11.20–€11.50 from €10.70–€11.10 (midpoint up roughly 4%), and Smart Infrastructure margin guidance was raised 50bps to 18.5%–19.5%. Morningstar had already embedded the new Smart Infrastructure targets into its model, having viewed the prior guidance as conservative.

Stock Price Reaction (day of results, released before/during the August 6, 2026 session)

Shares fell approximately 5% intraday on the day of results (August 6, 2026), even as headline metrics beat consensus; the stock had closed the prior session (August 5) at €285.95, near the top of its 52-week range of €198.00–€291.50. Morningstar's Matthew Donen noted the market was likely anticipating an even larger guidance increase, following peers that had already raised full-year revenue expectations on data-center demand. The move suggests investors had already priced in the beat-and-raise, consistent with Morningstar's view that shares are "*slightly overvalued*" - its unchanged €240 fair value estimate implies a 1.19x price/fair-value multiple and a 2-star rating.

Analyst Sentiment

- **Bulls:** durable Digital Industries recovery and data-center-driven Smart Infrastructure growth (data-center orders ~€6bn, revenue up more than 50% over nine months) should sustain the 240bps margin expansion over the medium term.
- **Bears:** consensus was already elevated after peer data-center upgrades, leaving little room for re-rating; Mobility margin softness and the capacity investment needed to convert Smart Infrastructure's surging backlog are additional overhangs.

Net sentiment: Neutral - Morningstar maintains a 2-star, overvalued rating despite acknowledging the operational recovery.

Key Positives, Negatives, Risks, and Concerns

Key Positives

- Record order backlog (€132bn, book-to-bill 1.34) and triple-digit data-center order growth provide multi-year revenue visibility into FY2027
- Broad-based margin expansion (+240bps Industrial Business), with DI's software mix and SI's scale economies both structurally supportive
- Free cash flow up 42% to €4.1bn and industrial net debt/EBITDA of just 0.6x fund a new €6bn, five-year buyback alongside continued bolt-on M&A

Key Negatives

- Mobility margin compressed 70bps to 8.6% on unfavorable project mix and severance costs, despite an excellent 2.35 book-to-bill
- DI's Q4 guidance implies flat sequential margin and orders roughly flat YoY against tough prior-year EDA comparisons
- Capacity constraints and investment needs to convert the surging Smart Infrastructure backlog raise questions about near-term capex intensity

Material Risks & Concerns

- Valuation: shares trade at 1.19x Morningstar's €240 fair value estimate (2-star, overvalued), leaving limited room for multiple expansion

- Siemens Healthineers spin-off execution: shareholder votes now targeted for February 2027, while SHS itself cut its FY2026 revenue growth guidance to 3.5%–4.0% (from 4.5%–5.0%)
- Concentration in data-center/AI capex: management flagged potential order-intake volatility from the "lumpiness of large orders," and any hyperscaler spending slowdown would disproportionately hit Smart Infrastructure

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TE Connectivity plc – Q3 Fiscal Year 2026 Earnings Analysis

Quarter ended June 26, 2026 (reported July 22, 2026) | Ticker: NYSE: TEL

What Happened

Metric	Q3 FY26	Q3 FY25	YoY Change	vs. Consensus
Revenue	\$5,160M	\$4,534M	+13.8% (organic +12.2%)	Beat: \$5,010M consensus (+3.1% / ~\$150M)
Operating Income (GAAP EBIT)	\$981M	\$857M	+14.5%	-
Net Income (GAAP, continuing ops)	\$748M	\$638M	+17.2%	-
Net Income (Adjusted, continuing ops)	\$861M	\$717M	+20.1%	-
EPS (Adjusted, diluted)	\$2.94	\$2.41	+22.0%	Beat: \$2.85 consensus (+3.2% / +\$0.09)

TE Connectivity delivered a record Q3 FY26, with sales of \$5.16 billion (+13.8% reported, +12.2% organic) and adjusted EPS of \$2.94 (+22.0%), both comfortably ahead of company guidance and Wall Street consensus (revenue beat by ~3.1%; adjusted EPS beat by ~3.2%). Results were broad-based across both segments, with Industrial Solutions sales up 21.9% and Transportation Solutions up 6.7%. Orders hit a record \$5.7 billion (+27% YoY, book-to-bill 1.1), with double-digit growth in every business and region, underpinning management's confidence into FY27.

Near-Term Sentiment: Bullish on fundamentals (record orders/backlog, margin expansion, raised guidance) but Bearish/mixed on stock reaction, driven by investor focus on TE's limited exposure to scale-out optical transceivers relative to peers.

Why

Revenue growth was driven by broad-based strength in Industrial Solutions (+21.9% reported/21.0% organic), led by Digital Data Networks (+34.2%, \$207M) on accelerating AI/data-center demand and Energy (+34.4%, \$132M) on grid-hardening and data-center power build-outs, with Automation & Connected Living up 16.3%; Transportation Solutions grew a more modest 6.7% reported/4.5% organic, as Commercial Transportation (+19.6%) and Automotive (+5.2%, on content outperformance of 4–6 points despite a slight decline in global vehicle production) more than offset a decline in Medical (–7.2%) and Sensors (–1.3%); FX added ~\$72M (roughly 160bps) to reported growth, with no material M&A contribution this quarter. Profitability improved meaningfully, with GAAP operating margin up 10bps to 19.0% and adjusted operating margin up 90bps to 21.9% (gross margin +26bps to 35.6%), driven by strong volume leverage (~30%+ incremental margins in Industrial, where adjusted margin reached 22.8%, +70bps) and continued price/cost discipline against ongoing input-cost inflation; Transportation adjusted margin also expanded 90bps to 21.0%. Below the line, D&A rose to \$256M from \$216M (+18.5%) on higher amortization from recent M&A, net interest expense was broadly stable (\$10M vs. \$11M net), and the GAAP effective tax rate improved to 23.0% from 24.6% (adjusted: 23.1% vs. 23.9%). The main one-off item was a sharp increase in restructuring and other charges to \$83M from \$14M (adding roughly 130bps of GAAP margin drag versus the prior year, excluded from adjusted results), partly offset by lower acquisition/integration costs of \$9M versus \$27M.

What Happens Next

Forward Guidance:

- Q4 FY26 Sales: ~\$5.25 billion, +11% YoY (both reported and organic)
- Q4 FY26 Adjusted EPS: ~\$3.05, +18% YoY (GAAP EPS from continuing operations ~\$2.84, +27% YoY)
- Full-Year FY26 (implied): Sales growth ~15% reported / ~11.2% organic; Adjusted EPS ~\$11.43 (+23% YoY)

Guidance vs. Consensus:

- Q4 sales guidance of \$5.25B is ABOVE consensus of \$5.15B (+~\$100M / +1.9%)
- Q4 adjusted EPS guidance of \$3.05 is ABOVE consensus of \$2.98 (+\$0.07 / +2.3%)

Guidance vs. Prior:

- RAISED - management stated results are “significantly outperforming” the business model set at this year's Investor Day, lifting full-year adjusted EPS growth guidance to 23% YoY and sales growth to ~15%, up from the double-digit but less aggressive framework communicated 90 days ago, driven by record AI-linked order momentum in Digital Data Networks (orders +70% YTD) and the incremental Astrodyne TDI acquisition.

Stock Price Reaction (day of results, released pre-market on July 22, 2026):

- Shares fell as much as ~8.75% intraday before paring losses to close at \$200.28, down 4.2% versus the July 21 close of \$209.01, despite the headline beat and raised guidance.
- Morningstar's William Kerwin (Senior Equity Analyst) raised TE's fair value estimate to \$230 from \$220 and called the sell-off “an overblown reaction to optics pessimism,” noting: “we see this as a good entry point for long-term investors.”
- Coverage (Reuters/TradingKey, GuruFocus) attributed the decline to investor concern over TE's limited exposure to scale-out optical transceivers versus peers, even as reported results and Q4 guidance both topped Street estimates; shares are now down ~15% year-to-date.

Analyst Sentiment:

- Bulls: Record orders/backlog, broad-based double-digit growth, and margin expansion support Morningstar's 4-star “undervalued” rating and \$230 fair value estimate (narrow moat).
- Bears: Persistent debate over copper vs. optical positioning in AI data-center scale-out architectures is capping near-term sentiment despite fundamental outperformance.

Net sentiment: Bullish on fundamentals, Neutral-to-Bearish on near-term stock positioning pending resolution of the optics narrative.

Key Positives, Negatives, Risks, and Concerns

Positives: record orders of \$5.7 billion (+27% YoY, book-to-bill 1.1) and a record backlog - including DDN orders up 70% year-to-date on AI momentum - provide strong visibility into FY27 growth; free cash flow of ~\$2.2 billion YTD supported \$2.0 billion returned to shareholders; and the accretive \$1.4 billion Astrodyne TDI acquisition (~\$250M annual sales) expands TE's power/industrial exposure to data centers and grid hardening. Negatives: shares fell despite the beat, reflecting persistent investor skepticism about TE's limited position in scale-out optical connectivity versus peers; Medical (–7.2%) and Sensors (–1.3%) sales declined; and restructuring and other charges rose sharply to \$83M from \$14M, weighing on GAAP (though not adjusted) profitability. Risks and Concerns: global vehicle production remains slightly negative, requiring continued 4–6-point content outperformance to sustain Transportation growth, with China's domestic auto market still soft (offset chiefly by exports); the industry's shift toward higher-voltage and optical data-center architectures could reshape competitive dynamics over time; and FY27 growth visibility remains substantially dependent on the durability of AI-linked DDN and Energy order momentum.

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Tetra Tech, Inc. (NASDAQ: TTEK)

Q3 Fiscal Year 2026 Earnings Analysis

Quarter Ended: June 28, 2026 | Reported: July 29, 2026 (after market close) |

Executive Summary

- Q3 FY26 beat across headline metrics: net revenue of \$1.11bn topped the high end of guidance (\$1.05bn–\$1.10bn) and adjusted EPS of \$0.42 beat consensus of \$0.40 by \$0.02 (+5.0%), also above management’s own \$0.38–\$0.41 guidance range.
- Underlying growth remains strong: net revenue excluding USAID/DOS and episodic disasters rose 8.4% YoY to \$1.04bn, even as reported net revenue fell 3.8% YoY on the planned wind-down of that episodic work.
- Backlog reached a record \$4.49bn, up 5% sequentially for the second consecutive quarter, driven by ~\$300m of new U.S. Army Corps of Engineers (Mobile/Norfolk) awards and expanding data-center and PFAS-treatment orders.
- FY26 guidance RAISED: net revenue to \$4.315bn–\$4.365bn (~8% YoY ex-USAID/DOS) and adjusted EPS to \$1.56–\$1.59, modestly above consensus of ~\$1.55–\$1.56.
- Shares fell 1.5% to \$33.26 the trading day after results (released post-close) despite the beat-and-raise, as Northcoast downgraded to Neutral on federal-procurement and profit-quality concerns, even as Baird raised its target to \$37 and KeyBanc reiterated Buy.
- Balance sheet and cash returns remain a strength: record YTD operating cash flow of \$467m (+31% YoY), net debt/EBITDA of 0.88x (below the 1.0x–2.0x target), an 11% dividend increase, and \$100m of Q3 buybacks.
- NEAR-TERM OUTLOOK: Neutral. Core water/environment and international demand (+12% YoY) support the raised guidance, but U.S. federal contracting-office bottlenecks, USAID/DOS wind-down, and offshore-wind cancellations remain offsets. MONITOR: pace of federal task-order flow and FY27 margin cadence (management flagged ~50bps/year as the normal run-rate versus 70–80bps achieved in FY25–FY26).

What Happened

Metric	Q3 FY26	Q3 FY25	YoY Change	vs. Consensus
Net Revenue	\$1,109M	\$1,153M	-3.8% (reported); +8.4% ex-USAID/DOS*	In-line (~\$1.10bn est.)
Operating Income	\$158M	\$165M	-4.2% (reported)	-
Net Income (GAAP)	\$109.6M	\$113.8M	-3.7%	-
EPS (GAAP Diluted)	\$0.42	\$0.43	-2.3%	-
EPS (Adjusted, ex-USAID/DOS)	\$0.42	\$0.41	+2.4%	Beat by \$0.02 (+5.0%)

**Reported net revenue declined YoY solely because Q3 FY25 included \$91m of USAID/Dept. of State work and \$100m of one-time disaster-response revenue, versus \$66m and \$0 respectively in Q3 FY26.*

Summary: Reported net revenue, operating income and net income all declined modestly YoY, but this reflects the deliberate wind-down of low-margin, episodic USAID/DOS and disaster-response work rather than underlying weakness - stripping that out, net revenue grew 8.4% YoY and both net revenue and adjusted EPS exceeded the top end of Tetra Tech’s own guidance range as well as Street consensus of ~\$1.10bn/\$0.40. Growth was led by U.S. federal (+12% YoY) and international (+12% YoY) markets, while U.S. commercial grew a more modest 1% as offshore-wind cancellations offset gains in power/transmission and data-center-related work. Backlog visibility improved for a second straight quarter (+5% sequentially to \$4.49bn) and record YTD operating cash flow of \$467m (+31% YoY) supported an 11% dividend increase and continued share buybacks.

Near-Term Sentiment: Neutral (mixed signals) - a clear beat-and-raise quarter was met with a next-day share-price decline and a broker downgrade (Northcoast, to Neutral), reflecting investor focus on federal-procurement bottlenecks and profit-quality/mix questions rather than the headline numbers.

Why

Underlying (ex-USAID/DOS/disaster) net revenue growth of 8.4% YoY was driven primarily by international markets (+12% YoY, 47% of net revenue), fueled by U.K./Ireland/Netherlands water programs under the £105bn AMP8 investment cycle and Australian digital-water and mining work, and by U.S. federal work (+12% YoY, 20% of net revenue) on Army Corps of Engineers, Navy and civilian

infrastructure/environment mandates; U.S. state & local grew a more moderate 5% on municipal water treatment (PFAS, digital modernization, desalination) even as reduced federal co-funding trimmed the smaller flood-protection sub-segment, while U.S. commercial rose just 1% as gains in power/transmission and data-center-related digital automation and sediment-restoration work were largely offset by cancellation of the remaining Atlantic offshore-wind programs. Profitability continued to improve on a mix shift toward higher-margin, front-end technical water/environment work: Government Services Group (GSG) operating margin was 17.5% and Commercial/International Group (CIG) 15.1% in the quarter, while YTD adjusted EBITDA margin expanded 80bps YoY to 14.6% (approximately 240bps higher still on a net-service-revenue basis, per management) - broadly consistent with the Company's longer-run target of ~50bps of annual margin expansion, which it has exceeded in each of the last two fiscal years. On a reported (GAAP) basis, operating income of \$158m (-4.2% YoY) and net income of \$109.6m (-3.7% YoY) were held back entirely by the planned decline in low-margin, cost-reimbursable USAID/DOS and one-time disaster-response revenue (a combined ~\$125m negative YoY swing); management did not flag any other material one-off items (impairments, restructuring or M&A costs) in the quarter, and D&A, interest expense and the tax rate were not called out as material swing factors relative to FY26 guidance assumptions (\$34m amortization, \$23m depreciation, \$30m interest expense, 27.3% effective tax rate).

What Happens Next

Forward Guidance

- Q4 FY26 net revenue: \$1.12bn–\$1.17bn; adjusted EPS: \$0.45–\$0.48.
- FY26 net revenue: \$4.315bn–\$4.365bn (~8% YoY growth ex-USAID/DOS at the midpoint).
- FY26 adjusted EPS: \$1.56–\$1.59; FY26 EBITDA margin: +70bps YoY at the midpoint.

Guidance vs. Prior & Consensus

- RAISED: FY26 adjusted EPS guidance lifted to \$1.56–\$1.59 from \$1.50–\$1.58 at Q2, above consensus of ~\$1.55–\$1.56; FY26 net revenue range narrowed to \$4.315bn–\$4.365bn from \$4.25bn–\$4.40bn at Q2, a broadly similar midpoint.
- Q4 EPS guidance midpoint of \$0.465 is approximately in line with the \$0.46–\$0.47 analyst consensus.
- Q3 results themselves beat prior Q3 guidance of \$1.05bn–\$1.10bn net revenue/\$0.38–\$0.41 EPS, and beat Street consensus of ~\$1.10bn net revenue/\$0.40 EPS by \$0.02 (+5.0%).

Key Assumptions

- FY26 guidance assumes \$34m intangible amortization, \$23m depreciation, \$30m interest expense, a 27.3% effective tax rate, ~261m average diluted shares, and excludes any contribution from future M&A or gains on divestiture.
- Assumes continued double-digit U.K. AMP8 and Australian digital-water investment cycles, and that Army Corps of Engineers Mobile/Norfolk district funding keeps flowing despite constrained federal contracting-office staffing.
- Assumes Department of State work (post-USAID) continues at a similar ~\$66m/quarter run-rate, though management is treating it conservatively rather than folding it into core GSG guidance until it stabilizes.
- Key risks flagged by management: U.S. federal procurement bottlenecks from reduced contracting-office staffing, political uncertainty around remaining aid-related/Ukraine DOS work, and broader geopolitical/supply-chain pressure from the Iran conflict.

Stock Price Reaction

Results were released after market close on July 29, 2026 (4:07pm ET), so the next-trading-day (July 30) reaction applies. Shares initially rose as much as ~4% in after-hours trading on the headline beat, but reversed during the July 30 session to close down 1.5% at \$33.26 versus a \$33.78 prior close - roughly 23% below the 52-week high of \$43.14. Commentary attributed the reversal to lingering concern that the beat-and-raise depends on episodic government work: "those risks include slow-moving U.S. federal contracting offices, uncertainty around aid-related work, and weakness in offshore wind" (Investing.com/Simply Wall St). Northcoast Research downgraded TTEK to Neutral from Buy following the print, while Baird raised its price target to \$37 from \$35 and KeyBanc reiterated its Buy rating; RBC maintained its Outperform rating, having already trimmed its target to \$43 ahead of the print. Bulls point to record backlog, cash flow and above-consensus guidance as evidence of durable water/environment demand; bears cite reliance on episodic government work and federal procurement delays as reasons the beat-and-raise did not translate into a rally. Net sentiment: Neutral, split between Buy-rated bulls (KeyBanc, Baird, RBC) and a Neutral downgrade from Northcoast.

Key Positives, Negatives, Risks, and Concerns

Positives: record backlog of \$4.49bn (+5% sequentially, second straight quarter of growth) with high-quality "contracted, funded, and

authorized" visibility; record YTD operating cash flow of \$467m (+31% YoY) funding an 11% dividend increase (45th consecutive double-digit raise) and continued buybacks; and underlying (ex-USAID/DOS) net revenue growth of 8.4% YoY alongside margin expansion (YTD adjusted EBITDA margin +80bps to 14.6%) as the business mix shifts toward higher-value water/environment engineering work. Negatives: reported (GAAP) net revenue, operating income and net income all declined YoY, reflecting the deliberate wind-down of USAID/episodic disaster work; U.S. commercial growth of just 1% as offshore-wind cancellations offset gains elsewhere; and the stock declined post-earnings with a Northcoast downgrade to Neutral despite the beat-and-raise, signalling some investor skepticism about profit quality and sustainability. Risks & Concerns: continued U.S. federal contracting-office staffing constraints and slow task-order flow structurally cap the pace at which won federal work converts to revenue; political uncertainty around remaining aid-related (Ukraine/DOS) revenue (~\$66m/quarter) could create a step-down if that work is not replaced; more than 20 states are suing the federal government over withheld flood-protection co-funding, a small but watched piece of the state & local book; and broader geopolitical/supply-chain pressures (the Iran conflict) were cited by management as an incremental source of client caution, particularly in commercial markets.

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Thermo Fisher Scientific Inc (TMO) - Q2 2026 Earnings Analysis

Quarter ended June 27, 2026 | Reported July 23, 2026 |

Executive Summary

- Strong Q2 beat: revenue \$11.99bn (+2.4% vs. consensus \$11.72bn), adjusted EPS \$6.03 (+5.6% vs. consensus \$5.71); adjusted operating margin expanded 90 bps YoY to 22.8%.
- Organic revenue growth accelerated to 5%, with Analytical Instruments returning to 7% organic growth - a positive read-across for capital spending across the sector.
- FY2026 guidance RAISED: reported revenue growth now 6%-8% (from 6%-8%/organic upper end of 3%-4%) and adjusted EPS raised to \$24.93-\$25.33 (midpoint +\$0.25), modestly ABOVE consensus EPS of \$24.85.
- Shares rose approximately 9%-10% on the day of results (released pre-market) to a multi-month high, as the print reversed a multi-day sector sell-off triggered by peer Danaher's softer outlook.
- Capital allocation remained disciplined: \$1.0bn of stock repurchased in the quarter, quarterly dividend held at \$0.47/share (+9.3% YoY), and the announced microbiology divestiture proceeding toward a Q3 close.
- NEAR-TERM OUTLOOK: Bullish. Improving customer activity and a healthier capital-spending environment support the raised guide. Monitor: North America and China organic growth remain only low-single-digit.

What Happened

Metric	Q2 2026	Q2 2025	YoY Change	vs. Consensus
Revenue	\$11,994m	\$10,855m	+10.5%	Beat (+2.4%, cons. \$11,720m)
Operating Profit (GAAP EBIT)	\$2,087m	\$1,834m	+13.8%	-
Net Income (GAAP)	\$1,736m	\$1,617m	+7.4%	-
Net Income (Adjusted)	\$2,241m	\$2,026m	+10.6%	-
EPS (Adjusted, Diluted)	\$6.03	\$5.36	+12.5%	Beat (+5.6%, cons. \$5.71)

Summary: Thermo Fisher delivered a broad-based beat, with revenue up 10% (5% organic, 5% from acquisitions net of FX) against a Zacks consensus of \$11.72bn (+2.4% beat) and adjusted EPS of \$6.03 topping the \$5.71 consensus by 5.6%. Adjusted operating margin expanded 90 bps YoY to 22.8%, driven by the PPI Business System and improving analytical instruments volumes. All four segments posted positive organic growth, led by Life Sciences Solutions (+12.6% reported) and a notable re-acceleration in Analytical Instruments to 7% organic growth.

Near-Term Sentiment: Bullish (broad-based beat, raised guidance, and a positive read-across for peers Agilent, Danaher and Sartorius on improving capital-spending trends).

Why

Revenue growth was driven by continued strength in the recurring-revenue Laboratory Products and Biopharma Services segment (+11.6% YoY to \$6.69bn) alongside a return to 7% organic growth in Analytical Instruments and 4.2% operating margin expansion in that segment, signalling a healthier customer capital-spending environment after a soft prior year; Europe and Asia-Pacific delivered high-single-digit growth while North America and China remained constrained at low-single-digit rates. Profitability improved meaningfully, with adjusted operating margin up 90 bps YoY to 22.8% (adjusted operating income +15.2% to \$2.74bn) and GAAP operating margin up 50 bps to 17.4%, reflecting operating leverage on higher volumes plus continued PPI Business System cost and productivity gains. Below the line, GAAP net income growth (+7.4%) lagged operating income growth (+13.8%) due to higher net interest expense (net interest income fell as interest income declined more than interest expense) and a higher effective tax rate/provision (\$167m vs. \$92m a year ago); adjusted net income nonetheless grew a faster 10.6%. There were no individually material one-off items in the quarter - restructuring and other costs of \$98m and \$28m/\$36m of cost-of-revenue and SG&A adjustments were each below the 50 bps/5%-of-earnings materiality threshold and were consistent with recent quarters.

What Happens Next

Forward Guidance (FY2026, raised):

- Revenue: \$47.4bn–\$48.1bn, representing 6%-8% reported growth (organic growth now expected at the upper end of the prior 3%-4% range)
- Adjusted EPS: \$24.93–\$25.33 (9%-11% growth), up \$0.25 at the midpoint from the prior \$24.64–\$25.12 range
- Guidance reflects the pending microbiology business divestiture (expected to close Q3 2026), which is expected to reduce FY2026 revenue by ~\$200m and adjusted EPS by ~\$0.05

Guidance vs. Consensus:

- Revenue guidance midpoint of ~\$47.75bn is broadly in-line with, modestly below, the ~\$47.8bn analyst consensus
- Adjusted EPS guidance midpoint of \$25.13 is ABOVE the \$24.85 analyst consensus by ~\$0.28 (~1.1%)

Change from Prior Guidance:

- RAISED - adjusted EPS guidance increased by \$0.25 at the midpoint; revenue range nudged up at the low end (\$47.3bn to \$47.4bn), with organic growth guidance moved to the upper end of the prior 3%-4% range
- Management (CEO Marc Casper) cited continued strengthening of customer activity across end markets and confidence in execution of the PPI Business System

Key Assumptions:

- Continued sequential improvement in capital-spending activity among pharma/biotech and academic/government customers
- Execution of the PPI Business System delivering further cost efficiency and margin support
- North America and China organic growth remaining at low-single-digit rates, offset by high-single-digit growth in Europe and Asia-Pacific
- Successful completion of the microbiology divestiture in Q3 2026 as modelled into guidance
- No material deterioration in government/academic funding policy or broader macro conditions

Stock Price Reaction (day of results, released pre-market):

Shares opened up roughly 9%-10% on July 23, 2026 (reported gains ranged from +9.0% to +10.35% intraday across sources, with premarket trading up ~4.4%-5%), reversing a multi-day decline that had been driven by peer Danaher's softer outlook earlier in the week. Morningstar's Alex Morozov, CFA noted the print was "in line with our forecasts" on margins and reiterated a \$560 fair value estimate, characterising shares as fairly valued post-move. Deutsche Bank had flagged a short-term "Catalyst Call: Buy" ahead of the print, while Baird raised its price target to \$652 (Outperform) following the results; the Street's mean target sits near \$595. The market's focus was squarely on the double beat, the raised guidance, and the re-acceleration in Analytical Instruments organic growth as read-through evidence of a broader life-sciences capital-spending recovery.

Analyst Sentiment:

- Bulls: Broad-based beat, raised guidance above consensus EPS, and re-accelerating analytical instruments growth support a capex recovery thesis; Baird (\$652) and Deutsche Bank (\$630) see meaningful upside to the current price
- Bears: Bernstein restarted coverage at Market Perform (\$520, near current levels), and Morningstar rates shares fairly valued at \$560 fair value versus a \$526 close, implying limited further re-rating from current levels absent a change in underlying growth assumptions
- Net sentiment: Bullish near-term following the print, though absolute upside from here is more modest per fair-value-anchored analysts

Key Positives, Negatives, Risks, and Concerns

Positives: Broad-based double beat on revenue and adjusted EPS with 90 bps of adjusted margin expansion; Analytical Instruments' return to 7% organic growth and 4.2% margin expansion signals an improving capital-spending cycle that is outpacing peers Danaher (2% equipment growth) and Sartorius; and continued disciplined capital allocation via \$1.0bn of buybacks and a held/growing dividend. **Negatives:** GAAP net income growth (+7.4%) trailed operating income growth (+13.8%) on higher net interest expense and a higher tax provision; North America and China organic growth remained stuck at low-single-digit rates even as Europe and Asia-Pacific grew high-single-digit; and reported (vs. organic) revenue growth of 10% is flattered by ~5 points of acquisition contribution, meaning underlying organic momentum, while improved, is still moderate in absolute terms. **Risks & Concerns:** Continued softness in North

America/China capital spending could persist longer than guidance assumes; government/academic funding policy remains a swing factor for a portion of the customer base; the pending microbiology divestiture carries integration/execution risk into FY2026 guidance; and at ~21x forward adjusted EPS and a Price/Fair Value of 0.94 (Morningstar), shares screen as fairly valued rather than cheap, limiting margin of safety if organic growth disappoints in subsequent quarters.

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TOMRA Systems ASA

Q2 2026 Earnings Analysis

Reporting period: 2nd quarter 2026 (three months to 30 June 2026) | Reported: 17 July 2026

Executive Summary

- Group revenue reached an all-time high of €405m in Q2 2026, up 25% YoY, with adjusted EBITA up 30% to €57m and margin expanding 50bps to 14.1%.
- Collection revenue surged 45% to €246m on record RVM installations in Poland (~7,000 machines) plus 15% growth in existing markets, including Clynk.
- TOMRA signed its first two major UK retail contracts (~3,900 RVMs combined) ahead of the October 2027 UK deposit return scheme launch.
- Recycling order intake rose 40% YoY to €58m – the first improvement in over a year – though revenue still fell 11% and a TOMRA Mining divestment is under review.
- Gross margin contracted 300bps to 41.3% on an equipment-heavy, lower-margin Poland/Food mix, but strong operating leverage still lifted EBITA margin.
- Shares jumped as much as 15% intraday to a post-April high (NOK 113.10–113.4), as the market welcomed a broad-based beat; sources put the close up 11.9%–14.7%.
- Leverage increased (gearing 2.46x, equity ratio 34%) after the Clynk and TOMRA Collection Australia minority buy-ins; Scope Ratings downgraded TOMRA one notch to BBB+/Stable in June.
- NEAR-TERM OUTLOOK: Bullish, on Collection execution and the emerging UK opportunity. Monitor: new-market gross-margin dilution and the pace of Recycling's recovery.

What Happened

Metric	Q2 2026	Q2 2025	YoY Change	vs. Consensus
Revenue	€405m	€325m	+25%	Beat (“ahead of expectations”; precise € consensus not disclosed)
Operating Profit (EBIT)	€49m	€42m	+17%	-
EBITA (adj. for special items)	€57m	€44m	+30%	Beat
Net Income (GAAP, majority)	€28m	€26m	+8%	-
EPS (adjusted)	€0.10	€0.08	+23%	Beat

Summary: TOMRA delivered a record quarter, with group revenue and adjusted EBITA both beating expectations and growing 25% and 30% YoY respectively. The beat was broad-based but overwhelmingly Collection-led: Poland's deposit-return rollout peaked in the quarter, pushing Collection revenue up 45% even as its gross margin fell to 38.6% from 41.8% on a heavier mix of lower-margin RVM equipment sales. Recycling revenue fell 11% but order intake rose 40% – its first positive turn in over a year – while Food grew a more modest 5% as order intake softened 22%. Cash flow from operations more than doubled to €38m.

Near-Term Sentiment: Bullish (broad-based earnings beat, record Poland installations, and confirmed UK contract wins, tempered only by continued gross-margin dilution).

Why

Revenue growth was driven almost entirely by Collection, up 45% (€246m): €69m came from new deposit markets (record Poland installations plus Portugal, Singapore and Romania), and existing markets grew 15% (€177m), including €7m from Clynk and higher throughput volumes and commodity prices in Australia and North America. Recycling fell 11% to €51m on the multi-quarter order decline, with weakness concentrated in Asia. Food rose 5% to €99m on continued deliveries to large packhouse projects. On profitability, group EBITA (adj.) rose to €57m/14.1% margin (+50bps) even as gross margin fell 300bps to 41.3%, because operating expenses grew only 10% (to €110m) against 25% revenue growth – strong operating leverage that lifted Collection's EBITA margin to 17.7% (from 16.2%) despite its own gross margin falling to 38.6%. On margin factors, roughly two-thirds of Collection's gross-margin decline reflected product/business mix (a high share of equipment sales into Poland) and about one-third reflected lower product pricing in a competitive Polish market; Food's margin fell to 43.1% (from 46.4%) on a continued high share of lower-margin third-party peripheral equipment sold alongside large packhouse projects. Below the line, amortisation rose to €8m (from €6m) and net financial items worsened to -€8m (from -€4m) reflecting higher debt following the Clynk and TOMRA Collection Australia minority-stake acquisitions; the tax charge was €10m (€9m prior year). There were no special items in Q2 2026, versus a €3.7m positive one-off from the Food restructuring programme in Q2 2025 – a modest negative swing factor in the reported (non-adjusted) EBITA comparison, which rose 19% to €57m versus €48m reported, compared with +30% on an adjusted basis.

What Happens Next

Forward Guidance (FY2026):

- Collection: 2H26 revenue €400–440m (vs €454m in 1H26); gross margin >40% in 2H26, ~40% for the full year; quarterly opex ~€52m.
- Recycling: FY26 revenue €200–215m; ~50% of the €105m order backlog to convert to Q3 revenue at a 45–50% gross margin.
- Food: FY26 revenue €340–360m; ~65% of the €121m order backlog to convert to Q3 revenue; gross margin 43–47% in 2H26.
- Horizon: FY26 revenue €45–50m. Group capex: €90–100m for FY26, primarily in the three core divisions.

Guidance vs. Consensus: Precise sell-side consensus € figures for the quarter were not disclosed in the sources reviewed, but Investing.com and other outlets characterised both revenue and EBITA as coming in “ahead of expectations,” consistent with a clear EBITA/margin beat and an in-line-to-above revenue outcome.

Change from Prior Guidance: This is TOMRA's first disclosure of full-year new-market revenue detail for 2026 (management does not guide new-market revenue at the start of the year given limited visibility), so segment guidance is best read as newly INITIATED rather than raised or lowered. Within that, Collection's FY26 gross-margin guidance was effectively LOWERED versus prior expectations – management flagged a “slightly lower” 2026 margin outlook given a higher share of RVM sales and sales into Poland than previously anticipated.

Key Assumptions:

- Poland's new-market revenue contribution slows through 2H26 as the peak installation phase is now complete.
- UK deliveries begin in Q4 2026 (early installations) with the majority in 2027, building on the ~3,900 RVMs already contracted across two retail chains.
- Recycling's €105m order backlog converts at ~50% into Q3 revenue, consistent with a stabilising but not yet broadly recovering end-market.
- Approximately 15% of group revenue is exposed to potential US tariffs, of which more than 90% is imported from the EU and less than 10% from China.
- Gearing (2.46x) is expected to decline gradually as EBITDA improves and Collection working capital normalises.

Stock Price Reaction (day of results, released before market open at 08:00 CEST on 17 July 2026): Oslo-listed shares jumped as much as 15% intraday to NOK 113.4, before closing the session up in a range of roughly 11.9%–14.7% (sources vary) at approximately NOK 113.10 – the highest level since 23 April – comfortably outperforming a roughly flat OSE Benchmark Index. Investing.com described the move as a broad-based earnings beat that caught the market's attention, while Barclays highlighted the emerging UK opportunity, estimating the rollout could ultimately represent a market of around 17,000 machines for TOMRA. Independent analyst Sigbjørn Hovda (Norway Stocks) framed the quarter as evidence that TOMRA's operating leverage “is still there,” while cautioning that Collection's gross margin “fell further” and that Recycling “has not yet entered a broad recovery.” Market focus was squarely on the Collection beat, EBITA-margin expansion despite an unfavourable mix, and the newly signed UK contracts.

Key Positives, Negatives, Risks, and Concerns

Positives: Record group revenue and a 30% EBITA beat driven by Poland's DRS rollout (~7,000 TOMRA RVMs installed, capturing 58% of the market's collected containers), two newly signed UK retail contracts totalling ~3,900 RVMs ahead of the October 2027 launch, and a 118% jump in operating cash flow to €38m; Recycling order intake turned positive for the first time in over a year (+40%), a potential inflection point even as revenue continues to decline. **Negatives:** Gross margin compressed 300bps group-wide on an equipment-heavy, lower-margin mix in both Collection (Poland) and Food (third-party peripherals); Food order intake fell 22% on weaker large-project conversion; and leverage increased, with gearing rising to 2.46x and the equity ratio slipping to 34%, prompting a one-notch downgrade by Scope Ratings to BBB+/Stable in June. **Risks and Concerns:** Continued delay risk in Spain's deposit-system rollout (system-operator approval still pending, with a realistic c.2028 launch); ~15% of group revenue exposed to potential US tariffs; execution risk as TOMRA scales into a more fragmented, experienced UK retail base; and an as-yet unproven, multi-quarter recovery path for Recycling, including the pending TOMRA Mining divestment (~2% of group revenue).

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Trane Technologies plc (NYSE: TT) - Q2 2026 Earnings Analysis

Fiscal Q2 2026 (quarter ended June 30, 2026) | Reported July 30, 2026, before market open

Executive Summary

- Revenue of \$6.35b (+11% reported, +9% organic) narrowly missed FactSet consensus - the first sales miss in five quarters - while adjusted EPS of \$4.31 (+11% YoY) beat consensus of ~\$4.26 by \$0.05.
- Record organic bookings +37% YoY to \$7.8b, driving backlog to a record \$12.1b (+70% YoY); Americas Commercial HVAC bookings +50% with applied bookings +130%, a fourth straight quarter above 100%.
- Guidance RAISED for a third time in 2026: full-year organic revenue growth to ~+9% (from ~+7% in April, ~+6-7% in January) and adjusted EPS to \$15.20-\$15.30 (from \$14.75-\$14.95), above consensus of \$14.91.
- Stock fell a high-single-digit percentage on the day of results (released pre-market) despite the beat-and-raise, as investors recalibrated long-term growth assumptions after the revenue miss.
- Adjusted operating margin compressed 60 bps YoY to 19.7% (adjusted EBITDA margin -70 bps to 21.1%) on accelerated capacity, innovation and operational-excellence reinvestment; EMEA margin -420 bps on Middle East conflict disruption.
- Balance sheet remains fortress-like: YTD free cash flow nearly doubled YoY to \$1.6b; company remains on track to deploy \$2.8b-\$3.3b of capital in 2026, including a 12% dividend increase to \$4.20/share annualized.
- NEAR-TERM OUTLOOK: Neutral-to-cautiously-bullish. Record backlog (~\$6b already booked for 2027) and accelerating 2H guidance (organic growth ramping from 6.5% in 1H to an 11.5% guidance midpoint in 2H) support the growth story, but margin trajectory and premium valuation (1.06x Morningstar fair value) are key swing factors. Monitor: EMEA/Middle East drag and the pace of 2H margin inflection.

What Happened

Metric	Q2 2026	Q2 2025	YoY Change	vs. Consensus
Revenue	\$6,353.5m	\$5,746.4m	+11% (organic +9%)	Narrow miss (FactSet)*
Operating Profit (Adj. EBIT)	\$1,252.7m	\$1,166.2m	+7%	-
Net Income (GAAP, continuing)	\$935.3m	\$871.9m	+7%	-
Net Income (Adjusted)	\$958.1m	\$873.4m	+10%	-
EPS (Adjusted, continuing)	\$4.31	\$3.88	+11%	Beat by ~\$0.05 (Zacks)

Trane delivered another strong operational quarter, though the headline revenue print narrowly missed the FactSet consensus estimate - the company's first sales miss in five quarters - even as adjusted EPS of \$4.31 beat consensus expectations (~\$4.26 per Zacks/Investing.com) by 11% YoY. Bookings were the standout: organic bookings surged 37% YoY to a record \$7.8b, with book-to-bill of 123% and greater than 100% in all three segments, pushing backlog to a record \$12.1b (+70% YoY, with ~\$6b already booked for 2027 and beyond). Adjusted operating margin and adjusted EBITDA margin both compressed modestly (-60 bps and -70 bps, respectively) as volume growth and positive pricing were more than offset by inflation and elevated business reinvestment.

Near-Term Sentiment: Neutral-to-Bearish on the print itself (revenue miss, margin compression, high-single-digit share price decline on the day of results), but Bullish on the underlying multi-year setup given record bookings/backlog and raised guidance.

Why

Revenue growth was led by the Americas (+11% organic), where Commercial HVAC bookings jumped 50% YoY (applied bookings +130%, a fourth consecutive quarter above 100%) and revenue growth was driven by applied solutions (+40%) and services; Residential HVAC bookings rose in the high-20s with revenue up low-teens, while Transport bookings were up low-single-digits against a low-double-digit revenue decline, as expected in the current cyclical trough. EMEA organic revenue fell 4% as the Middle East conflict cut regional revenue by roughly 30% and management estimates a ~\$30m operating-income hit; excluding the Middle East, EMEA bookings and revenue were up mid-teens and low-single-digits, respectively. Asia Pacific grew 10% organically, led by Rest of Asia (bookings +70%, revenue up high-teens), partly offset by continued softness in China (bookings/revenue down low-double-digit/low-single-digit). On profitability, adjusted operating margin fell 60 bps YoY to 19.7% (adjusted EBITDA margin -70 bps to 21.1%) as positive price and volume leverage were more than offset by input cost inflation and an accelerated ramp in capacity, innovation and operational-excellence investment. By segment, Americas adjusted operating margin was down 30 bps to 22.1% on the reinvestment ramp; EMEA fell 420 bps to 13.1%, driven almost entirely by the Middle East disruption and cost actions taken in late June to right-size the regional cost structure; Asia Pacific declined 60 bps to 21.0% on accelerated channel investment. Below the line, interest expense declined to \$53.1m from \$57.4m and the effective tax rate was roughly flat at 18.8%. Pre-tax non-GAAP adjustments totaled \$28.4m (versus \$2.0m in the prior year), comprising \$14.7m of amortization of the acquired Stellar Energy backlog intangible, \$2.2m of M&A transaction costs and \$11.5m of restructuring costs tied mainly to the EMEA cost actions; there were no material one-off gains this quarter, unlike the prior-year period's non-cash contingent-consideration benefit.

What Happens Next

Forward Guidance

- FY2026 revenue: organic growth of ~+9%; reported revenue growth of ~+11.5% (Q3 2026 organic growth expected ~+10%)
- FY2026 adjusted EPS: \$15.20 to \$15.30 (Q3 2026 adjusted EPS expected ~\$4.70)
- FY2026 operating leverage: organic 25%+; free cash flow expected ≥ adjusted net earnings

Guidance vs. Prior & Consensus

- RAISED for a third time this year: organic revenue growth guidance moved to ~+9% from ~+7% (April 30) and ~+6-7% (January 29); adjusted EPS midpoint raised to \$15.25 from \$14.85 (April), a \$0.40 (~2.7%) increase.
- Adjusted EPS guidance midpoint of \$15.25 is ABOVE analyst consensus of \$14.91 by \$0.34 (~2.3%).

Key Assumptions

- Record backlog (90%+ YoY growth in Americas Commercial HVAC backlog) converts through 2H, with management assuming some normal order “leakage/breakage” for site-construction and permitting delays
- ~25%+ organic operating leverage sustained despite ~700 bps drag on reported leverage from dilutive year-one M&A (Stellar Energy) integration costs
- Continued Middle East conflict assumed to cut FY2026 EMEA revenue by ~\$100m and operating income by ~\$30m (~\$0.10 EPS), fully absorbed in guidance
- Capex held at 2%-3% of revenue; ~19% adjusted effective tax rate; ~222m diluted shares
- Thermo King/transport market assumed flattish for FY2026 with healthy Q4 growth as the multi-year trailer replacement cycle turns

Stock Price Reaction

- Results were released before market open on July 30, 2026 (earnings call at 10:00am ET), so the same-day reaction applies. Shares had already fallen 4.9% the prior session (July 29) to \$446.80 amid a broader pre-earnings, sector-wide pullback (GuruFocus).
- Intraday reaction to the release itself was initially muted - shares traded around \$441.99, down ~1% - but selling accelerated through the session as investors digested the revenue miss and margin compression; Morningstar's same-day note characterized the full move as a “high-single-digit percentage” decline.

- Morningstar analyst George Maglares attributed the decline mainly to investors resetting long-term growth assumptions after the FactSet revenue miss, rather than to any deterioration in the underlying quarter.
- Morningstar raised its fair value estimate to \$422 from \$402 (narrow moat, 3-star/Fairly Valued rating), while cautioning that further deceleration in growth or margin expansion could leave meaningful downside if market expectations reset lower.

Analyst Sentiment

- Bulls: Record \$12.1b backlog with ~\$6b already booked for 2027, 90%+ YoY Americas Commercial HVAC backlog growth, and guidance implying 2H organic revenue growth accelerating to an 11.5% midpoint (from 6.5% in 1H) support a durable multi-year demand story.
- Bears: The FactSet revenue miss, decelerating adjusted operating margin, and a rich valuation (1.06x Morningstar fair value; ~29x forward adjusted EPS) leave limited room for execution missteps, particularly if EMEA/Middle East pressure persists or capacity reinvestment does not convert to leverage on schedule.
- Net sentiment: Neutral to cautiously bullish - strong bookings/backlog momentum and a raised guide argue for the bull case, but the market's focus on the revenue miss and margin trajectory drove the sharp post-earnings pullback.

Key Positives, Negatives, Risks, and Concerns

Key positives include record organic bookings (+37% YoY) led by Americas Commercial HVAC (+50%), a record \$12.1b backlog (+70% YoY, ~\$6b already booked for 2027), book-to-bill above 100% in all segments, adjusted EPS growth of 11% and a full-year guidance raise for the third time in 2026, YTD free cash flow that nearly doubled to \$1.6b, and a strong balance sheet supporting \$2.8b-\$3.3b of planned 2026 capital deployment (a 12% dividend increase, ongoing share repurchases and disciplined M&A). Key negatives include a 60 bps YoY compression in adjusted operating margin (70 bps on an EBITDA basis) driven by accelerated capacity, innovation and operational-excellence reinvestment; a 4% organic revenue decline and 420 bps of adjusted operating margin compression in EMEA tied to the Middle East conflict; continued double-digit declines in China Commercial HVAC bookings and revenue; and a headline revenue print that narrowly missed FactSet consensus, the company's first sales miss in five quarters. Material risks and concerns center on the continuation or escalation of the Middle East conflict, which management already assumes will cut FY2026 EMEA revenue by ~\$100m and operating income by ~\$30m but could deteriorate further; a premium valuation (1.06x Morningstar fair value, ~29x forward adjusted EPS) that leaves little cushion if growth decelerates or margin expansion stalls, as Morningstar explicitly flagged; customer/project-timing risk within the data-center-driven applied and Stellar Energy backlog, where management itself assumes some order "leakage/breakage" from site-construction and power-connection delays; and the need for 2H margin execution (targeted at 50 bps of expansion in Q3, accelerating to over a point in Q4) to offset the elevated reinvestment pace and justify the raised full-year guidance.

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Taiwan Semiconductor Manufacturing Company

(2330.TW / TSM)

Q2 2026 Earnings Analysis

Executive Summary

- Beat-and-raise quarter: revenue \$40.20bn (+33.7% YoY), at the top of the \$39.0–40.2bn guide; EPS \$4.31/ADR vs. ~\$3.85 consensus (beat by ~\$0.40–\$0.50).
- Record profitability: gross margin 67.7% (+910 bps YoY, +150 bps QoQ) and operating margin 60.3% (+1,070 bps YoY), driven by cost improvement and higher utilization.
- FY2026 revenue growth guidance raised to “slightly above 40%” YoY in US dollar terms (from prior above-30% guidance) on accelerating AI and agentic-AI demand.
- 2026 capex guidance raised sharply to \$60–64bn (from \$52–56bn); announced an additional \$100bn Arizona investment, taking cumulative US commitment to \$265bn.
- 3Q26 guidance: revenue \$44.6–45.8bn (+12% QoQ at midpoint), but gross margin guided down to 65–67% on 3–4 ppt dilution from the steep N2 ramp.
- Stock fell ~4–5% on the day of results and extended losses into the next session, as investors focused on capex-driven free-cash-flow compression over the beat.
- Balance sheet remains fortress-like (net cash reserves NT\$2,486bn), though free cash flow slipped QoQ to NT\$287bn (from NT\$348bn) as capex outpaced operating cash flow growth.
- NEAR-TERM OUTLOOK: Bullish on fundamentals (AI demand, record margins, raised guidance). Monitor: pace of 2H26 margin dilution (N2 ramp, overseas fabs) and capex/FCF trajectory.

What Happened

Metric	2Q26	2Q25	YoY	vs. Consensus / Guidance
Revenue (US\$)	\$40.20bn	\$30.07bn	+33.7%	Beat – top of \$39.0–40.2bn co. guidance; above ~\$40.0bn avg. analyst estimate
Revenue (NT\$)	NT\$1,270.38bn	NT\$933.79bn	+36.0%	-
Operating Profit (EBIT)	NT\$766.60bn	NT\$463.42bn	+65.4%	Op. margin 60.3% vs. 56.5–58.5% guided
Net Income (GAAP)	NT\$706.56bn (~\$22.0bn)	NT\$398.27bn	+77.4%	Beat
Net Income (Adjusted)	n/a – not separately disclosed	n/a	-	GAAP figure includes NT\$63.20bn VIS share gain
EPS (Diluted, GAAP)	NT\$27.25 / \$4.31 per ADR	NT\$15.36 / \$2.47 per ADR	+77.4%	Beat – vs. ~\$3.81–\$3.89 consensus (~+11–13%)

TSMC delivered a decisive beat-and-raise quarter, with revenue, gross margin and operating margin all landing above the high end of company guidance and net income up 77.4% YoY to a record NT\$706.56bn. Growth was powered by leading-edge demand: High Performance Computing (HPC) revenue rose 20% QoQ to 66% of the mix, while advanced technologies (7nm and below) accounted for 77% of wafer revenue and 2-nanometer contributed its first meaningful 3% of wafer revenue. Net profit margin expanded to 55.6% (+490 bps QoQ), aided by a one-off NT\$63.20bn gain on the disposal and mark-to-market of Vanguard International Semiconductor (VIS) shares.

Near-Term Sentiment: Bullish operationally - record margins, raised FY26 growth guidance and robust AI/HPC demand - but Neutral-to-cautious on near-term stock technicals, as shares sold off on capex/free-cash-flow concerns despite the beat.

Why

Revenue growth was driven almost entirely by leading-edge demand: HPC/AI-related revenue grew 20% QoQ to 66% of sales while smartphone fell 4% QoQ to 22%, and North America-based customers rose to 78% of revenue (+2 ppt QoQ), reflecting continued hyperscaler concentration. Gross margin expanded 150 bps QoQ to a record 67.7%, primarily on cost-improvement efforts and higher capacity utilization, partially offset by margin dilution from overseas fab ramp-up; operating margin rose a further 220 bps QoQ to 60.3% as total operating expenses fell to 7.8% of revenue (from 8.3%) on operating leverage, even as R&D spending rose 8.0% QoQ to support N2/A14 development. Below the line, the effective tax rate increased to 18.1% (from 16.8%) on undistributed-earnings tax, while inventory days rose to 87 (from 80) on the N2 ramp. The most material one-off was a NT\$63.20bn disposal and mark-to-market gain on Vanguard International Semiconductor (VIS) shares (TSMC sold an 8.1% stake in May 2026), which lifted non-operating income to NT\$95.83bn (from NT\$28.83bn) and added NT\$2.24 to EPS - a meaningful contributor to the reported net income beat, though underlying operational earnings growth remained very strong even excluding this item.

What Happens Next

Forward Guidance:

- 3Q26 Revenue: \$44.6bn to \$45.8bn (+12% QoQ / +37% YoY at the midpoint)
- 3Q26 Gross Margin: 65% to 67% (vs. 67.7% in 2Q26), on an assumed FX rate of \$1 = NT\$32
- 3Q26 Operating Margin: 56% to 58% (vs. 60.3% in 2Q26)
- FY2026 Revenue Growth: raised to “slightly above 40%” YoY in US dollar terms
- FY2026 Capital Expenditure: raised to \$60bn–\$64bn

Guidance vs. Consensus:

3Q26 revenue guidance of \$44.6–\$45.8bn brackets prior analyst estimates (Q3 EPS consensus of \$4.00–\$4.20); the FY2026 revenue growth guidance of “slightly above 40%” is modestly above the ~35–38% implied by prior consensus models and roughly in line with Morningstar’s own updated 2026 forecast of NT\$5,380bn (+41.3% YoY).

Change from Prior Guidance:

RAISED on both counts. FY2026 revenue growth guidance was raised from “above 30%” to “slightly above 40%” YoY, and FY2026 capex guidance was raised from \$52–\$56bn (original) / ~\$56bn (April) to \$60–\$64bn - a ~15–20% increase at the midpoint. Management (C.C. Wei, CEO) cited continuously strengthening customer demand signals and tool-cost inflation as the two principal drivers, and separately confirmed the next three years of capex will be “even more significantly higher” than the prior three-year period.

Key Assumptions:

- Steep 2-nanometer ramp continues, diluting gross margin by 3–4 ppt in 2H26
- Overseas fab dilution widens from 2–3% in early stages to 3–4% in later stages over the next several years
- AI and agentic-AI demand (including a resurgence in CPU content) remains structurally robust through at least 2029–2030
- No material capacity bottlenecks, contingent on ASML executing planned 30% EUV capacity increases in 2027 and 2028
- 3Q26 guidance assumes an exchange rate of \$1 = NT\$32 (vs. NT\$31.60 average in 2Q26)

Stock Price Reaction:

TSM ADR shares fell as much as ~5% intraday on July 16 (day of results - the call concluded before the US trading session), dropping from a pre-earnings close of \$426.62 to trade in the \$404–\$411 range, before extending losses roughly a further 2.3% on July 17 as capex and free-cash-flow concerns persisted; broader chip stocks fell alongside TSMC, with the Nasdaq-100 down ~1.6% on July 16. A JPMorgan equity trader was quoted describing the move as reflecting “how high the bar is set for the semiconductor earnings” rather than any negative headline, per TradingKey. In contrast, Morningstar’s Phelix Lee raised his fair value estimate 27% to TWD 3,440 (~\$534/ADR) from TWD 2,700, maintaining a 4-star (undervalued) rating, arguing hyperscaler capex commitments justify TSMC’s larger budget. Market commentary framed the sell-off as a valuation and free-cash-flow debate rather than a demand problem.

Analyst Sentiment:

- Bulls: record margins, raised FY26 growth guidance and robust AI/HPC demand support the long-term thesis (Morningstar 4-star, FVE +27%)
- Bears: the \$60–\$64bn capex raise compresses near-term free cash flow and ROIC visibility, and “the bar is set” high after repeated beats

Net sentiment: Bullish fundamentally / Neutral-to-cautious on near-term stock technicals.

Key Positives, Negatives, Risks, and Concerns

Key Positives:

- Record gross margin (67.7%) and operating margin (60.3%), with ROE at a record 45.9%
- FY2026 revenue growth guidance raised to “slightly above 40%” on accelerating AI/agent AI and HPC demand (66% of revenue, +20% QoQ)
- Fortress balance sheet with NT\$2,486bn net cash reserves and a steadily rising dividend (FY26 guided +33% YoY to NT\$24/share)

Key Negatives:

- 3Q26 gross margin guided down 170 bps at the midpoint (to 66%) on 3–4 ppt N2 ramp dilution
- Free cash flow fell QoQ (NT\$287bn vs. NT\$348bn) as capex (NT\$496bn) outpaced operating cash flow growth
- Stock sold off ~4–5%+ despite the beat, reflecting investor concern over capex/ROIC trade-offs

Material Risks & Concerns:

- Capex intensity (raised to \$60–\$64bn) and multi-year overseas fab dilution (widening to 3–4%) pressure medium-term free cash flow and margins
- Rising customer/geographic concentration (North America 78% of revenue) and competitive pressure from Samsung Foundry, US-government-backed Intel, and emerging backend packaging alternatives (e.g., Intel EMIB-T)
- Valuation and sentiment risk: shares remain volatile around results given how much good news is already priced in, per recent “sell-the-beat” reactions

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Visa Inc. (V) - Fiscal Q3 2026 Earnings

Reporting period ended June 30, 2026 | Results released July 28, 2026 (after market close) |

Executive Summary

- Q3 FY2026 beat on both lines: net revenue \$11.63bn (+14% YoY, +13% constant-dollar), adjusted EPS \$3.32 (+11% YoY), vs. consensus of ~\$11.40bn revenue and \$3.23 EPS.
- Quarterly payments volume crossed \$4 trillion for the first time in Visa's history, up 10% YoY in constant dollars, with cross-border volume (ex.-intra-Europe) up 12%, aided by the FIFA World Cup.
- Value-added services revenue surged 34% YoY in constant dollars to \$3.8bn, though Morningstar flags this growth is substantially FIFA-marketing-driven and may not be sustainable.
- FY2026 net revenue growth guidance RAISED to the low end of low-teens (adjusted constant-dollar basis); adjusted opex and EPS guidance (low end of mid-teens) maintained.
- Stock rose 1.12% to \$366.59 the trading day after results (released post-close July 28); Citi and UBS raised price targets to \$440 and \$420 respectively.
- Returned \$6.2bn to shareholders in the quarter (\$4.9bn buybacks, \$1.3bn dividends); quarterly dividend raised 13.6% YoY to \$0.670/share.
- NEAR-TERM OUTLOOK: Bullish. Broad-based consumer resilience and VAS/commercial momentum support the FY27 glide path. Monitor: reliance on non-recurring FIFA-related marketing revenue and adjusted operating margin compression (66.7% vs. 67.5% a year ago, per Morningstar).

What Happened

Metric	Q3 FY2026	Q3 FY2025	YoY Change	vs. Consensus
Revenue	\$11,633m	\$10,172m	+14.4%	Beat (cons. ~\$11,396m; +2.1%)
Operating Profit (EBIT, GAAP)	\$6,877m	\$6,177m	+11.3%	n/a
Net Income (GAAP)	\$5,628m	\$5,272m	+6.8%	n/a
Net Income (Adjusted)	\$6,296m	\$5,834m	+7.9%	n/a
EPS (Adjusted)	\$3.32	\$2.98	+11.4%	Beat (cons. \$3.23; +\$0.09/+2.8%)

Visa delivered a broad-based beat, with net revenue and adjusted EPS both ahead of Wall Street expectations (Zacks/Cantor Fitzgerald consensus of ~\$11.35–11.40bn revenue and \$3.23 EPS). Growth was led by payments volume crossing \$4 trillion for the first time, a 10% constant-dollar increase and the strongest U.S. payments volume growth rate since fiscal 2019 (ex.-COVID recovery). Value-added services revenue growth of 34% and commercial & money movement solutions revenue growth of 17% were the standout drivers, while GAAP net income growth (+6.8%) lagged revenue growth due to \$563m of severance costs and a step-up in marketing/personnel spend.

Near-Term Sentiment: Bullish - driven by the revenue/EPS beat, the \$4 trillion payments-volume milestone, and price-target increases from Citi and UBS; tempered by Morningstar's skepticism that VAS growth (FIFA-linked) is sustainable.

Why

Revenue growth was driven primarily by payments volume (+10% constant-dollar) and cross-border volume ex.-intra-Europe (+12%, up from 11% in recent quarters), boosted by stronger online commerce and FIFA World Cup-related inbound travel spend into the U.S., Mexico, and Canada; data processing revenue grew 17% on pricing and higher cross-border mix, while value-added services

revenue grew 34% on the Pismo acquisition, FIFA-linked marketing engagements, and greater utilization of issuing/acceptance network products. Profitability evolution was mixed: GAAP operating income grew 11.3% YoY (slower than revenue) as GAAP operating expenses rose 19%, while adjusted (non-GAAP) operating margin on a net-revenue basis compressed to 66.7% from 67.5% a year earlier (Morningstar), as opex growth (+17% non-GAAP) outpaced revenue growth (+14%). Margin pressure was concentrated in marketing (+54% GAAP, +17% non-GAAP ex.-severance) and personnel expense (+40% GAAP), reflecting FIFA-related marketing spend and deferred-compensation mark-to-market impacts (EPS-neutral). Below the line, net interest expense nearly quintupled YoY to \$194m (from \$39m) on debt issued to fund the Pismo acquisition and share buybacks, while the effective tax rate ticked up to 17.6% GAAP (18.4% non-GAAP) from 16.7%/17.3% a year earlier. Material one-offs excluded from non-GAAP results include \$563m of severance costs tied to workforce reductions (mostly technology and product teams), a \$237m litigation provision related to the interchange multidistrict litigation (down from \$615m a year ago - a favorable YoY comparison), an \$18m one-time deferred tax benefit, and \$78m of acquisition-related costs and intangible amortization tied to Pismo.

What Happens Next

Forward Guidance (adjusted, constant-dollar basis):

- Q4 FY2026 net revenue growth: high end of low-double-digit; EPS growth: low end of mid-teens.
- Full-year FY2026 net revenue growth: low end of low-teens; operating expense growth: low end of low-teens; EPS growth: low end of mid-teens.

Guidance vs. Prior & Consensus:

- Management RAISED the full-year net revenue growth outlook while maintaining prior adjusted operating expense and EPS guidance (per Cantor Fitzgerald's Ramsey El-Assal), citing stronger-than-expected key business drivers, VAS revenue, and FX.
- The updated FY2026 constant-dollar revenue growth guidance (~low-teens) is broadly in line with the pre-print Zacks consensus of 13.4% nominal growth, though nominal-vs-constant-dollar and FX/M&A adjustments limit precise comparability.

Key Assumptions:

- Broader consumer spend stability persists at current resilient levels through Q4.
- Cross-border/international volatility reverts to Q1-like levels in Q4, implying more of a drag than previously incorporated.
- ~20% of payments volume renewed by fiscal year-end, plus new business wins, lift Q4 incentive growth slightly above Q3 on a nominal basis.
- Pismo and NewPay add ~1pt to Q4 net revenue growth, ~1.5pt to opex growth, and ~0.5pt to EPS growth.

Stock Price Reaction (day after results, released post-close): Visa shares rose 1.12% to close at \$366.59 on July 29, 2026, the first trading day after results (released after market close on July 28), reversing a modest -0.71% pre-earnings dip on July 28 itself. Cantor Fitzgerald's Ramsey El-Assal reaffirmed an Overweight rating and \$410 price target, calling it a “healthy” revenue beat with data processing and other revenue lines topping Street expectations; Citi and UBS both raised price targets in the aftermath, to \$440 and \$420 respectively.

Market focus centred on the revenue/EPS beat, the record \$4 trillion payments-volume milestone, and durability of VAS growth, tempered by El-Assal's observation that softer intra-quarter (Q4-to-date) trends reflect “transitory factors” (Amazon Prime Day timing, a less-favourable calendar/mix versus June, and lower fuel prices) rather than a deterioration in underlying consumer spending.

Analyst Sentiment: Bulls cite broad-based consumer resilience, record VAS growth (34% YoY, with all four VAS portfolios growing faster than Investor Day targets), and continued buyback/dividend capacity (\$6.2bn returned this quarter). Bears (echoed in Morningstar's note) flag that VAS strength is substantially FIFA-marketing-driven and may not persist, and that adjusted operating margin compression (66.7% vs. 67.5%) reflects rising reinvestment needs. Net sentiment: Bullish, though Morningstar maintains a Fairly Valued (3-star) call with shares modestly overvalued at 1.11x its \$330 fair value estimate.

Key Positives, Negatives, Risks, and Concerns

Key Positives:

- Record quarterly payments volume above \$4 trillion for the first time, with broad-based U.S. acceleration to the strongest rate since fiscal 2019 (ex.-COVID recovery).
- Value-added services revenue +34% YoY constant-dollar, with all four VAS portfolios individually growing faster than their Investor Day-disclosed historical growth rates.
- Strong capital returns of \$6.2bn in the quarter (\$4.9bn buybacks, \$1.3bn dividends); dividend raised 13.6% YoY, with \$28.4bn of buyback authorization remaining.

Key Negatives:

- Adjusted operating margin (net-revenue basis) compressed to 66.7% from 67.5% (Morningstar), as non-GAAP opex growth (17%) outpaced revenue growth (14%).
- \$563m of severance costs from workforce eliminations, concentrated in technology and product teams, signal ongoing restructuring/cost pressure.
- VAS strength is substantially tied to one-time FIFA World Cup marketing engagements; Morningstar explicitly questions whether the 34% growth rate is sustainable.

Material Risks & Concerns:

- Morningstar rates shares “modestly overvalued” (price/fair-value 1.11x; \$330 fair value vs. \$366.59 price), limiting further re-rating upside.
- Q4-to-date (through July 21) volume growth decelerated versus Q3 (U.S. payments volume 9% vs. 10%; cross-border e-commerce moderating from the June peak), which management attributes to timing/calendar effects rather than demand weakness.
- Continued geopolitical-conflict-related drag on international travel spend, plus rising FX and incentive-driven sensitivity in guidance heading into FY2027.

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Waste Management, Inc. (WM) Q2 2026 Earnings

Data as of 30 July 2026

Executive Summary

- Modest beat on adjusted EPS (\$2.02 vs. \$1.98-\$1.99 consensus, +5.2% YoY) but revenue of \$6.68b missed consensus (\$6.71b) by ~0.4%, up 4.0% YoY.
- Adjusted EBITDA margin expanded 40 bps YoY to 30.9% (+90 bps on a reported basis), overcoming a 60 bp wildfire-comp headwind and a 40 bp energy-surge drag.
- FY2026 revenue guidance LOWERED by ~0.6% to \$26.275b-\$26.475b (below consensus ~\$26.54-26.56b) on softer collection volumes, partly offset by higher energy surcharges.
- FY2026 adjusted EBITDA (\$8.15b-\$8.25b) and free cash flow (\$3.75b-\$3.85b) guidance maintained; margin guidance RAISED 20 bps to 31.0%-31.2%.
- Shares fell as much as 2.7% in after-hours trading on the revenue cut, before opening roughly flat the next session (\$239.54 vs. \$239.41 prior close); the market focused on the guidance trim rather than the EPS beat.
- Capital returns remained strong: \$1.04b returned to shareholders in Q2 (repurchases \$659m, dividends \$379m); leverage at 2.96x, within the 2.5x-3.0x target range.
- NEAR-TERM OUTLOOK: Neutral-to-slightly-cautious. Pricing/cost discipline continues to support margins, but soft residential/commercial collection volumes and a lower revenue outlook temper the bullish reads on Healthcare Solutions integration and technology-driven efficiency gains. Monitor: collection and disposal volume recovery in 2H26 and RNG/pipeline interconnect timing.

What Happened

Metric	Q2 2026	Q2 2025	YoY Change	vs. Consensus
Revenue	\$6,684m	\$6,430m	+4.0%	Miss (~-0.4%, vs. ~\$6.71b cons.)
Operating Profit (EBIT, adj.)	\$1,290m	\$1,215m	+6.2%	-
Net Income (GAAP)	\$785m	\$726m	+8.1%	-
Net Income (Adjusted)	\$813m	\$777m	+4.6%	-
EPS (Adjusted)	\$2.02	\$1.92	+5.2%	Beat (+\$0.03-0.04 vs. \$1.98-\$1.99 cons.)

Revenue rose 4.0% YoY to \$6.68b, driven by 5.7% core price and 3.6% Collection & Disposal yield, but landed roughly \$26m-\$30m below the ~\$6.71b Zacks/FactSet consensus, the fourth consecutive quarterly revenue miss. Adjusted EBITDA of \$2.07b (margin 30.9%, +40 bps YoY) beat consensus of ~\$2.03b by ~1.6%. Adjusted EPS of \$2.02 beat consensus (\$1.98-\$1.99) by 1.5%-2.1%. Collection and Disposal volume declined 1.8% (down only 0.4% excluding prior-year wildfire cleanup benefit), with residential losses moderating 210 bps sequentially while special waste and industrial volumes turned modestly positive.

Near-Term Sentiment: Neutral/Mixed (EPS and EBITDA beat and margin expansion vs. a fourth straight revenue miss and a lowered full-year sales outlook; shares fell as much as 2.7% in after-hours trading before stabilizing).

Why

Revenue growth was driven almost entirely by pricing and surcharges rather than volume: core price of 5.7% and Collection & Disposal yield of 3.6% (with energy surcharges contributing ~38% of the yield increase) more than offset a 1.8% decline in Collection & Disposal volume (-0.4% ex-wildfire comp), as intentional shedding of low-margin residential business and continued national-account losses in commercial weighed on tonnage; recycling and renewable energy revenue also grew on higher processed volumes (+12% recyclables) and new capacity from completed growth projects. Adjusted operating EBITDA margin expanded 40 bps YoY to 30.9%, with the Collection & Disposal segment contributing ~140 bps of underlying margin improvement from favorable price-to-cost spread and lower frontline turnover/technology-driven cost control (collection operating costs up only 1.7% against ~4% labor inflation), and

recycling/renewable energy/Healthcare Solutions adding a combined ~40 bps; these gains were partly offset by a 60 bp wildfire-comp headwind, a 40 bp energy-surge drag, and ~40 bps from higher technology investment and risk-management cost timing in Corporate & Other. Healthcare Solutions margin expanded 200 bps to 19.0% (adjusted) on SG&A discipline (SG&A fell 15% YoY, now 18% of segment revenue vs. 24-25% shortly after the Stericycle deal) and cross-selling synergies (\$32m realized of a \$50m target). Below the line, net interest expense was roughly flat YoY (\$233m) and the effective tax rate ticked up modestly; one-off adjustments (Stericycle integration costs of \$24m and \$13m of net asset-impairment/unusual items) were the main GAAP-to-adjusted bridge items, together adding \$0.07 to adjusted EPS.

What Happens Next

Forward Guidance: FY2026 revenue \$26.275b-\$26.475b; adjusted operating EBITDA \$8.15b-\$8.25b; adjusted operating EBITDA margin 31.0%-31.2%; free cash flow \$3.75b-\$3.85b.

Guidance vs. Prior & Consensus: Revenue guidance LOWERED by ~0.6% (~\$150m-\$175m at the midpoint) from the prior \$26.43b-\$26.63b range, and now sits below Zacks/FactSet consensus of roughly \$26.54b-\$26.56b; adjusted EBITDA margin guidance RAISED 20 bps (from 30.8%-31.0% to 31.0%-31.2%), while adjusted operating EBITDA (\$8.15b-\$8.25b, midpoint ~\$8.20b) and free cash flow guidance were AFFIRMED.

Key Assumptions: Management is assuming collection and disposal volumes are roughly flat in 2H26 (full-year decline of ~0.8%-1%, worse than the +0.4% originally guided) due to unrecovered winter-related volume softness and lower recycling-brokerage/RNG pipeline-interconnect activity (~\$75m headwind), partially offset by ~\$175m of full-year energy-surge revenue (~\$100m already realized in Q2) as fuel costs are expected to normalize into year-end; Healthcare Solutions is expected to accelerate on moderating customer-credit headwinds and cross-selling; leverage (2.96x at quarter-end) is expected to decline further within the 2.5x-3.0x target range.

Stock Price Reaction (day after results, released post-close): Results were released after market close on Tuesday 28 July 2026 (WM closed the regular session that day at \$239.41, +0.7%); shares fell as much as 2.7% in after-hours trading to ~\$234.50 as investors focused on the revenue-guidance cut rather than the EPS beat, per Seeking Alpha and MarketScreener/ts2.tech coverage. Shares opened the next session (Wednesday 29 July) at \$239.54 -- essentially flat versus the prior close -- and traded in a \$232.00-\$242.88 range intraday, indicating the after-hours weakness partially reversed once management reiterated EBITDA/FCF guidance and raised margin guidance on the July 29 earnings call.

Analyst Sentiment: Bulls point to a fourth consecutive quarter of margin expansion, continuing technology/automation-driven cost control (smart-truck platform >\$300m annual run-rate EBITDA), and an increasingly de-risked Healthcare Solutions integration. Bears flag the fourth straight revenue miss, a lowered full-year sales outlook, and persistent commercial/residential volume softness as signs pricing-led growth is becoming harder to sustain. Net sentiment is Neutral: Morningstar reiterates a \$220 fair value estimate (3-star, shares ~9% overvalued at \$239.41), while sell-side price targets (Citi \$269, Scotiabank \$260, average ~\$256-257) imply modest further upside; Zacks rates the stock Hold (#3).

Key Positives, Negatives, Risks, and Concerns

Positives: Fourth consecutive year of margin expansion with adjusted EBITDA margin guidance raised 20 bps to 31.0%-31.2%; Healthcare Solutions now fully integrated with 200 bps of margin expansion and SG&A down to 18% of segment revenue; disciplined capital allocation returned \$1.04b to shareholders in the quarter while keeping leverage within its 2.5x-3.0x target range. **Negatives:** Revenue missed consensus for a fourth straight quarter and full-year revenue guidance was cut ~0.6% on softer-than-expected collection volumes; Collection & Disposal volume declined 1.8% (-0.4% ex-wildfire comp), with lost national commercial accounts and continued (though moderating) residential shedding; recycling brokerage and RNG plant-to-pipeline delays trimmed sustainability-segment revenue by ~\$75m. **Risks & Concerns:** Shares trade at a ~9% premium to Morningstar's \$220 fair value estimate and a P/E premium to peer Republic Services, leaving limited valuation cushion if volume weakness persists; commodity/RIN price and fuel-surge normalization could reverse a currently favorable yield tailwind; continued softness in commercial/industrial demand, absent clear macro deterioration signals from management, remains a watchpoint for 2H26 execution against the narrowed guidance range.

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Xylem Inc. (NYSE: XYL)

Q2 2026 Earnings Analysis
Quarter ended June 30, 2026 | Reported July 28, 2026 (pre-market) |

Executive Summary

- Beat-and-raise quarter: adjusted EPS \$1.46 beat the FactSet consensus of \$1.34 by \$0.12 (+8.9%, +16% YoY), while revenue of \$2,336m missed consensus by ~\$40m (+2% reported/+1% organic).
- Record organic order growth of 41% YoY, driven by the largest order in company history - an ~\$850m, 23-year outsourced water contract with Dow - plus a 20-year win with one of the world's largest chemical companies.
- Adjusted EBITDA margin reached a quarterly record 23.3% (+150bps YoY), led by an outstanding 480bps margin expansion in Water Infrastructure to 26.6%.
- FY2026 adjusted EPS guidance RAISED to \$5.55–\$5.70 (from \$5.35–\$5.60), but organic revenue growth guidance narrowed to 2–3% (from 2–4%) on Measurement & Control Solutions (MCS) electric-metering project delays.
- Shares rose ~4.0% to \$124.97 on July 28, 2026 (day of results; released pre-market) from a prior close of \$120.16; Morningstar raised its fair value estimate to \$129 (from \$124), rating shares Fairly Valued (3-star).
- Capital allocation remained disciplined: ~\$648m deployed into share repurchases in the quarter (at a rare discount to fair value) and the ~\$200m WaterFleet acquisition signed to expand mobile water treatment capabilities.
- Segment divergence: Water Infrastructure and Applied Water (data-center orders +300%) showed strong momentum, while MCS margin compressed 200bps and China orders/revenue both fell ~30%.
- NEAR-TERM OUTLOOK: Bullish, on record margins, explosive order momentum, and a raised full-year EPS guide. Monitor: pace of the MCS electric-metering recovery and China stabilization.

What Happened

Metric	Q2 2026	Q2 2025	YoY Change	vs. Consensus
Revenue	\$2,336m	\$2,301m	+2% reported / +1% organic	Miss (-\$40m vs. FactSet consensus)
Operating Income (GAAP)	\$390m	\$305m	+27.9%	-
Adjusted Operating Income	\$447m	\$402m	+11.2%	-
Net Income (GAAP)	\$263m	\$226m	+16.4%	-
Net Income (Adjusted)	\$345m	\$308m	+12.0%	-
EPS (GAAP Diluted)	\$1.11	\$0.93	+19.4%	-
EPS (Adjusted)	\$1.46	\$1.26	+15.9%	Beat (+\$0.12 vs. \$1.34 consensus)
Dividends per Share	~\$0.43	~\$0.40	+~7.5%	-

Xylem delivered a clean adjusted EPS beat against a soft revenue print: adjusted EPS of \$1.46 beat the FactSet consensus of \$1.34 by \$0.12 (8.9%), while revenue of \$2,336m fell roughly \$40m short of consensus, as strength in developed markets and transport/data-center-driven demand only partly offset a 27% revenue decline in China and ~2% of intentional walk-away revenue from 80-20 simplification actions. Orders were the standout of the quarter, up 41% organically - driven by the largest order in company history (the ~\$850m, 23-year outsourced water contract with Dow) and over 300% growth in Applied Water data-center orders. Adjusted EBITDA margin expanded 150bps YoY to a quarterly record 23.3%, driven by productivity, price realization and favorable mix.

Near-term sentiment: Bullish (driven by the EPS beat, raised full-year EPS guidance, record margins, and explosive order growth), tempered by continued softness in MCS electric metering and China.

Why

Revenue grew 2% on a reported basis (1% organic) as strength in Transport, Energy Metering, Building Solutions and heavy capital projects in developed markets was largely offset by a 27% decline in China and roughly 2 points of deliberate walk-away revenue from ongoing 80-20 portfolio simplification; by segment, Water Infrastructure revenue rose 5% reported/3% organic (US municipal transport strength offsetting a 40% China decline), Applied Water rose 4% reported/3% organic (data-center wins offsetting resi/China softness), WSS rose 3% (capital projects, the finalized Dial contract, and dewatering strength), while MCS revenue fell 6% reported/1% organic on softer energy-metering demand. Profitability improved materially: GAAP operating margin expanded 340bps to 16.7% and adjusted EBITDA margin expanded 150bps to a record 23.3%, driven by productivity gains, price realization and favorable mix more than offsetting inflation and lower volumes; adjusted operating margin reached 19.1%, up 160bps. Water Infrastructure led margin expansion (+480bps to 26.6% adjusted EBITDA margin) on productivity, mix, price and volume, while MCS margin compressed 200bps to 21.1% on unfavorable mix, inflation and lower volume, and Applied Water margin slipped 50bps to 21.2% on inflation and volume. Below the line, interest expense declined modestly to \$7m (from \$9m) and purchase-accounting intangible amortization declined to \$52m (from \$55m), while GAAP income tax expense rose to \$103m (from \$75m) on higher pre-tax income. The only material one-off was a \$16m loss on sale of businesses (versus none in the prior-year quarter), largely offset within special charges by a \$16m IEEPA tariff refund, alongside lower restructuring and realignment costs of \$15m (versus \$29m in Q2 2025).

What Happens Next

Forward Guidance (FY2026):

- Revenue: ~\$9.2bn, ~2% reported growth, 2–3% organic growth
- Adjusted EBITDA margin: 23.1%–23.5% (+90–130bps YoY)
- Adjusted EPS: \$5.55–\$5.70
- Free cash flow margin: 10.2%–11.0%
- Q3 2026: revenue flat reported / ~3% organic; adjusted EBITDA margin 23.5%–24.0% (+30–80bps); adjusted EPS \$1.42–\$1.47

Guidance vs. Prior & Consensus:

- Adjusted EPS guidance RAISED to \$5.55–\$5.70 from \$5.35–\$5.60, on strong first-half execution, share-repurchase accretion and higher margins
- Organic revenue guidance narrowed/LOWERED to 2–3% from 2–4%, driven entirely by MCS electric-metering project delays

Stock Price Reaction (day of results; released pre-market):

- Shares rose approximately 4.0% to \$124.97 on July 28, 2026, from a prior close of \$120.16, as investors focused on the EPS beat, record margins and the raised full-year EPS outlook despite the light revenue print
- 52-week range of \$105.29–\$154.27 provides context - shares remain well below their 2024–25 highs despite the post-earnings pop

Analyst Sentiment:

- Bulls: Morningstar's Krzysztof Smalec raised his fair value estimate to \$129 (from \$124), citing more optimistic near-term margin assumptions and Xylem's exposure to AI-driven data-center, life-sciences, food-and-beverage, power-generation, mining and semiconductor end markets
- Bears: the narrowed organic revenue guide and ongoing MCS/China softness leave some caution on the pace of the top-line recovery
- Net sentiment: Fairly Valued (3-star, narrow moat per Morningstar) - shares trade at 0.93x fair value following the move

Key Positives, Negatives, Risks, and Concerns

Key Positives:

- Record adjusted EBITDA margin (23.3%, +150bps), led by an outstanding 480bps margin expansion in Water Infrastructure
- Explosive organic order growth (+41%), including the company's largest-ever order (~\$850m, 23-year Dow contract) and a 20-year win with a major chemical company, plus data-center order growth of over 300% in Applied Water
- Raised full-year adjusted EPS guidance and disciplined capital allocation, with ~\$648m deployed into share repurchases at a rare discount to fair value

Key Negatives:

- Organic revenue growth of just 1% in the quarter, a ~\$40m miss versus consensus
- Narrowed full-year organic revenue guide (2–3% vs. 2–4% prior), driven by MCS electric-metering project delays
- Continued weakness in China, with orders and revenue both down approximately 30%

Material Risks & Concerns:

- Durability of the MCS recovery given affordability concerns and a more cautious utility capital-spending environment ahead of upcoming elections
- Risk of further deterioration or a slower-than-expected stabilization in China amid ongoing competitive and macro pressure
- The inherently lumpy nature of large outsourced-water contract wins underpinning WSS growth, alongside broader macro/geopolitical overhangs (Middle East conflict, tariff policy, inflation) that management continues to monitor

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