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TRIVARIATE RESEARCH

SHOULD YOU CARE ABOUT THE 2031 REVENUE ESTIMATES?

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INVESTMENT CONCLUSIONS

Background: Earlier this year, we heard in several meetings investors say that they didn't think that the market was trading on fundamentals. Part of us believes the market *IS* trading on fundamentals – and a distribution of outcomes that could happen a few years from now. Hence, we assessed the data coverage from analysts for each of the next five fiscal years and found about 1/3 of stocks in the top 500 by market cap. have at least 3 analyst forecasts five years forward and about 80% have 3-year forward estimates. With this reasonable data coverage, we analyzed 5-year forward revisions.

PEG is not a good metric: While some investors point at PEG ratios for security selection, we don't see any difference in the efficacy of price-to-four-year-forward earnings and price-to-one-year-forward earnings. Neither work well. In fact, cumulatively over the past 15 years, the most expensive quintile has outperformed the cheapest quintile.

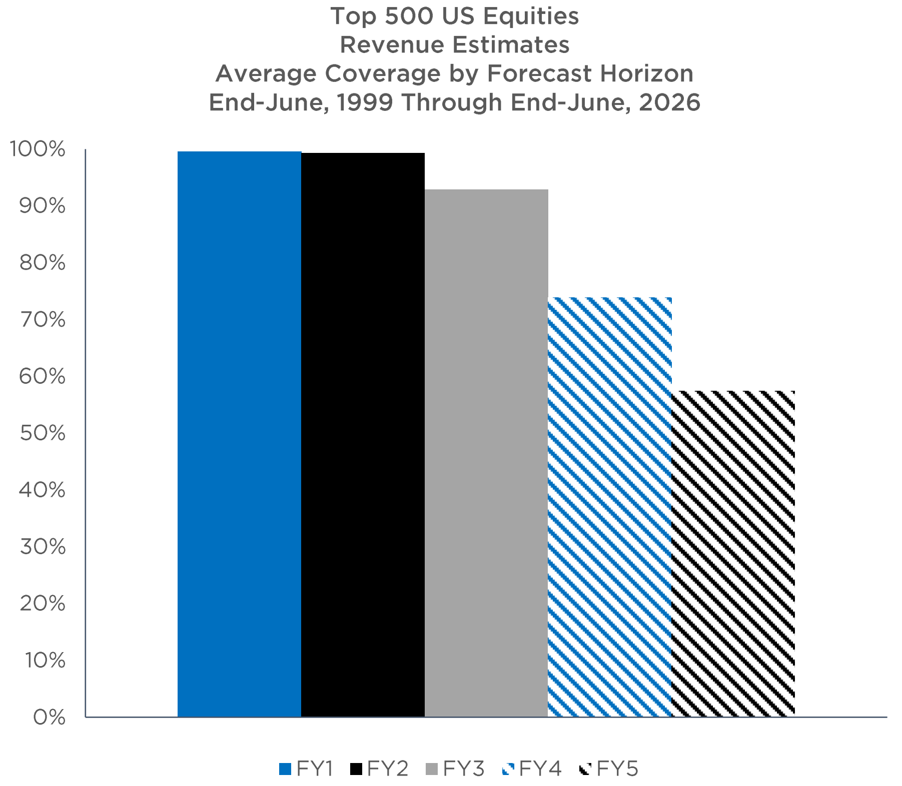
5-Year Revenue revisions work great for stock selection: However, it does appear that revisions to 4-year-forward EPS and 5-year-forward revenue, in particular, have worked very well of late. This means that perhaps the market IS trading on fundamentals – buying stocks with high revisions to 4- and 5-year forward estimates has generated solid excess return.

Valuation is more neutral than expensive 5-years forward: While many investors have commented that the market appears expensive vs. history on price-to-forward earnings, the strong forecasted earnings growth has the price-to-five-year-forward earnings close to in-line with the ten-year average – as implied by the price-to-one-year-forward earnings.

Recent strong fundamentals: Today, the five-year forward EPS revisions are the highest they have been since the data has existed, indicating the market appreciation is at least partially correlated to an improved long-term fundamental outlook. Stocks with the biggest five-year forward revenue revisions of late include MU, DELL, CIEN, AMD, INTC and BE – among others (Slide 6).

LOOKING AT LONG-TERM FORECASTS IS RELEVANT NOW

We assessed the data coverage from analysts for each of the next five fiscal years and found about 1/3 of stocks in the top 500 by market cap. have at least 3 analyst forecasts five years forward (left), and about 80% have 3-year forward estimates. At the sector level, Healthcare and Comm. Services have the best 5-year out coverage (right), Financials the lowest.



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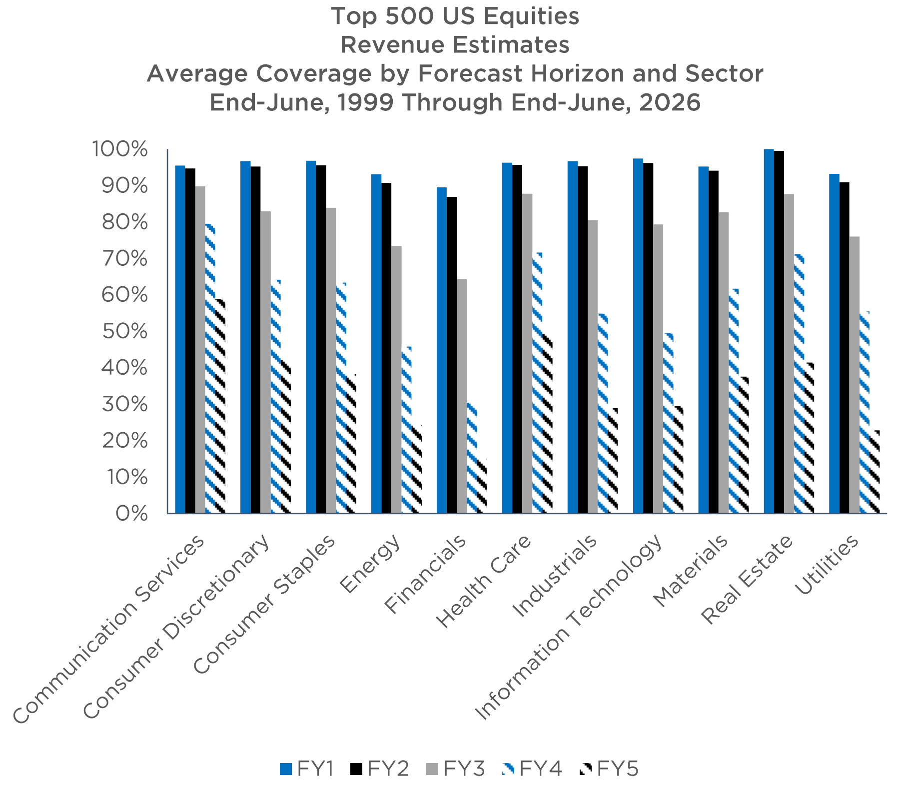

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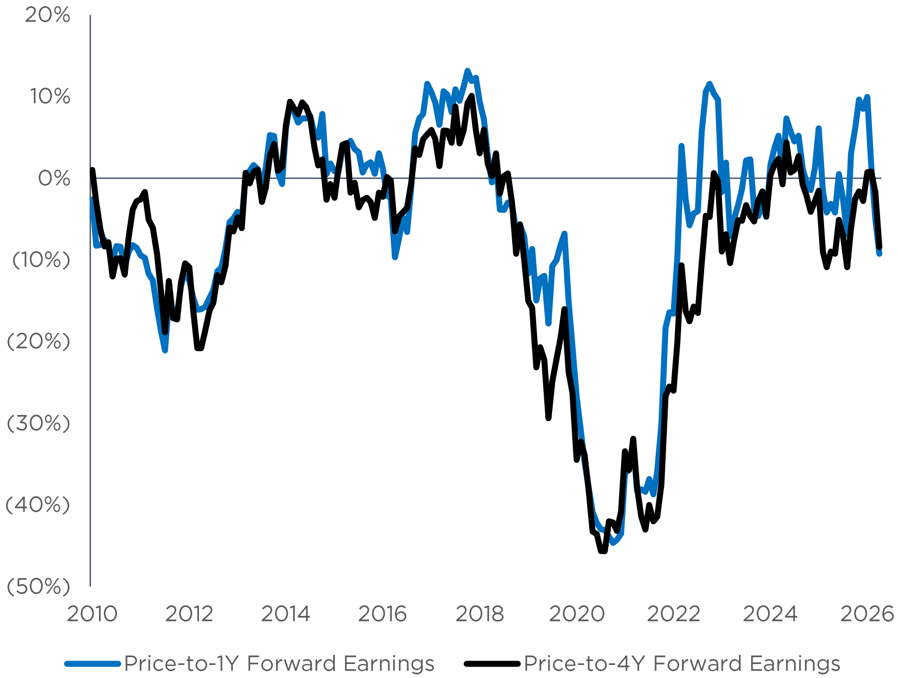
FUNDAMENTALS MATTER? CHANGES TO 5-YEAR FORWARD REVENUE?

While some investors point to PEG ratios for security selection, we don't see any difference in the efficacy of price-to-four-year-forward earnings and price-to-one-year-forward earnings. Neither work well. In fact, cumulatively over the past 15 years, the most expensive quintile has outperformed the cheapest quintile. However, it does appear that revisions to 4 year-forward EPS and 5 year-forward revenue, in particular, have worked very well of late. This means that perhaps the market IS trading on fundamentals – on revisions to 4- and 5-year forward estimates and perceived changes to the longer-term future.

Price-to-Forward Earnings (4Y vs. 1Y)
Cumulative Return of Q1 (Cheapest) - Q5 Spread
1999 Through End-June, 2026



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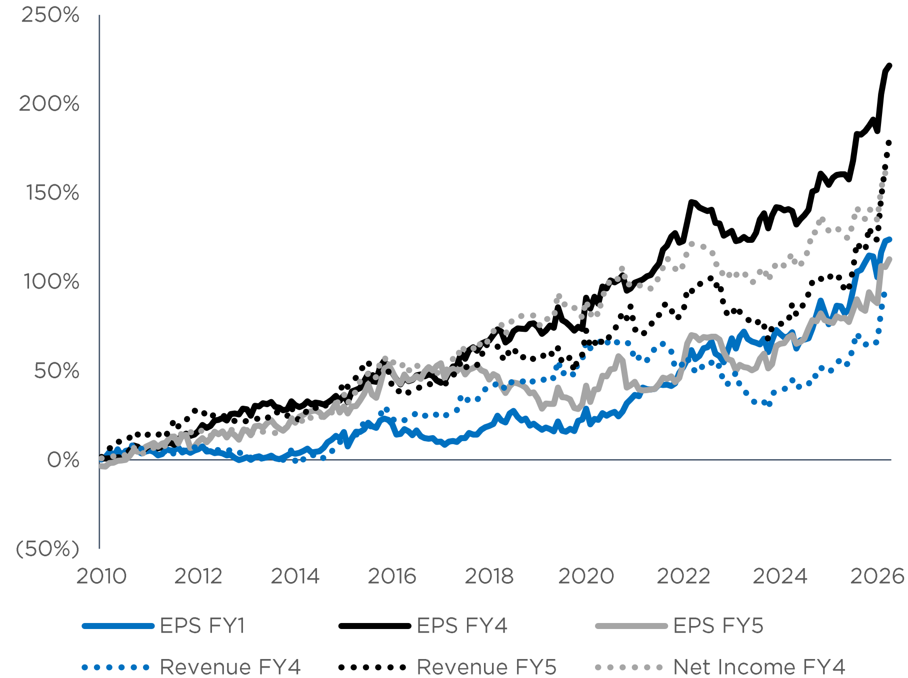
3-Month Revision of Long-Horizon Forecast
Cumulative Return of Q1 (Highest) - Q5 Spread
1999 Through End-June, 2026

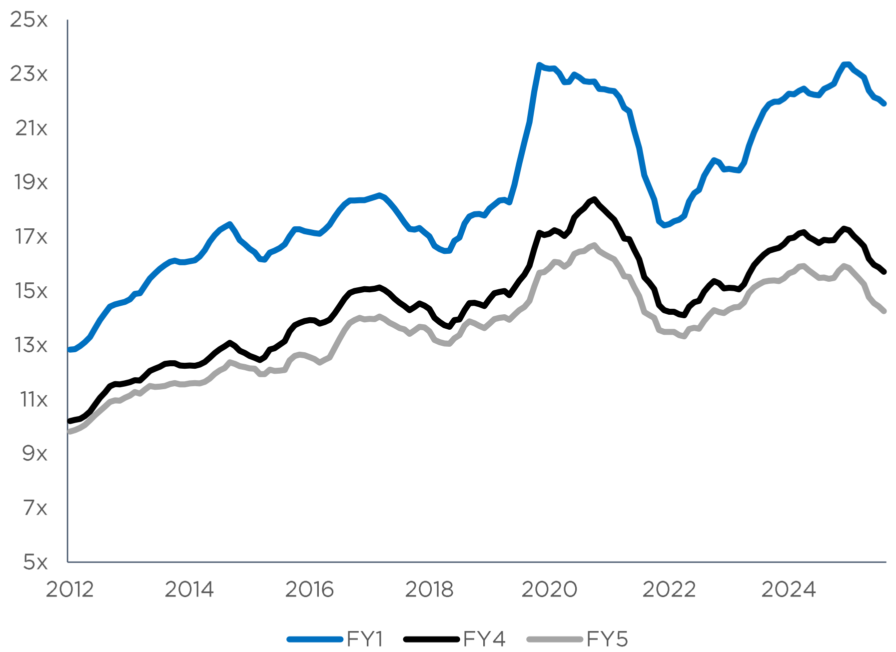


Source: Trivariate Research

THE MARKET IS NOT EXPENSIVE ON 5-YEAR VIEW

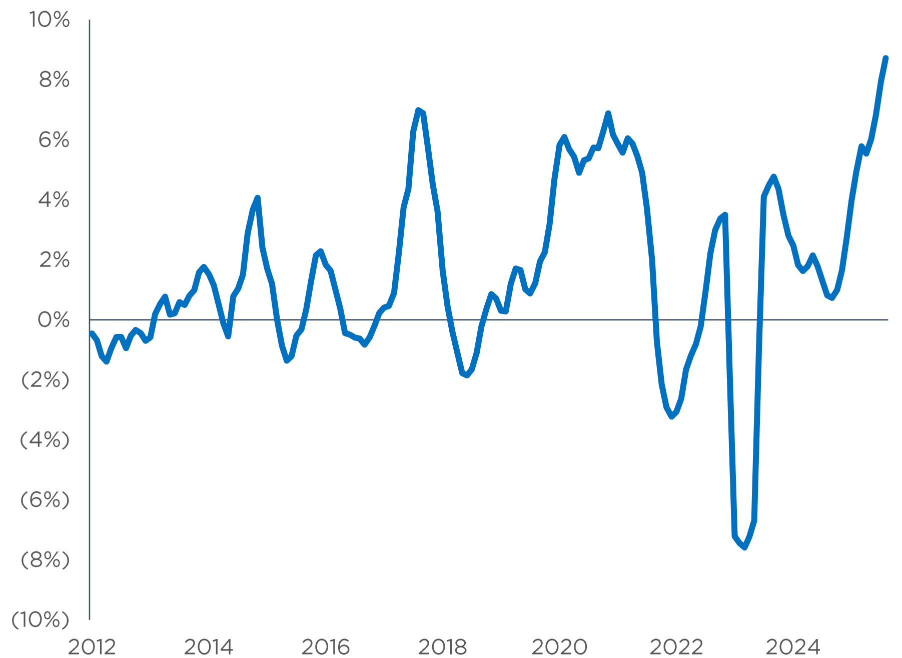
While many investors have commented that the market appears expensive vs. history on price-to-forward earnings, the strong forecasted earnings growth has the price-to-five-year-forward earnings closer to in-line with the ten-year average (left). Moreover, the recent five-year forward EPS revisions are the highest they have been since the data has existed (right), indicating the market appreciation is at least partially correlated to an improved long-term fundamental outlook.

Top 500 Stocks
Cap-Weighted Average Price-to-Forward Earnings
by Horizon (1-, 4-, and 5-Year Forward)
2012 Through End-June, 2026



Source: Trivariate Research

Top 500 Stocks
Cap-Weighted Average 3-Month Revision of 5Y EPS
Estimate
2012 Through End-June, 2026

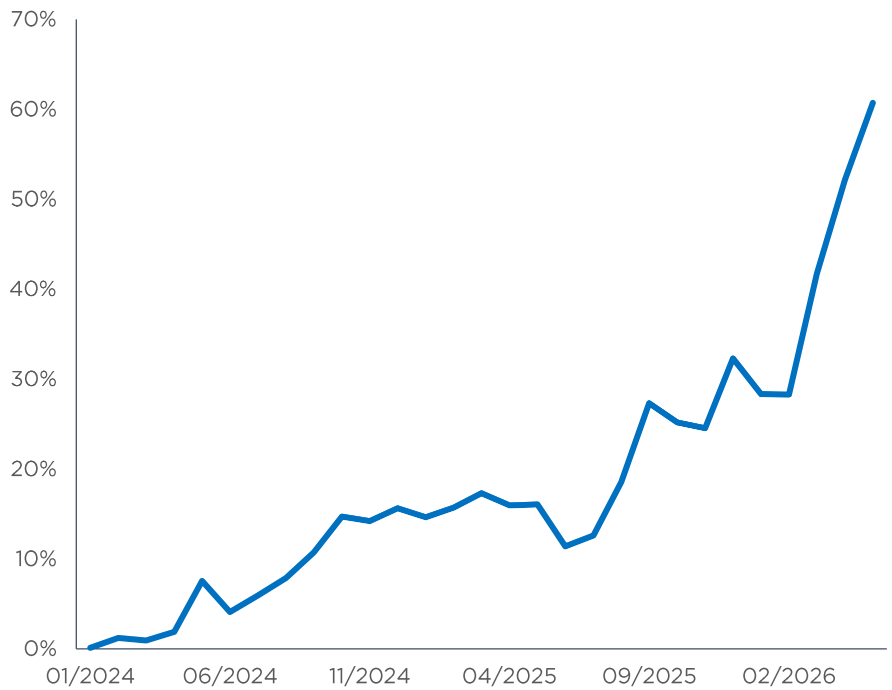


Source: Trivariate Research

5-YEAR FORWARD REVENUE REVISIONS HAVE WORKED WELL

Zooming in on the efficacy of 3-month revisions to 5-year forward revenue, we can see that in the last 2.5 years, those stocks with upward "out year" revenue revisions have strongly outperformed those stocks with downward revisions – by a cumulative 61% (left). Stocks with the biggest five-year forward revenue revisions of late include MU, DELL, CIEN, AMD, INTC and BE – among others (right). Given these stocks have all performed well this year - there does appear to be some alignment of price action and fundamentals.

3-Month Revision of 5-Year Revenue Forecast
Cumulative Return of Q1 (Highest) - Q5 Spread
2024 Through End-June, 2026



Source: Trivariate Research

T500 Stocks with Largest 3-Month Revision of 5-Year Forecasted Revenue
As of July 10th, 2026

Date	Company	Sector	Market Cap. ($Bn)	Revision	YTD Return
RVMD	Revolution Medicines	Health Care	39.7	77.1%	134.6%
CRDO	Credo Technology Group	Information Technology	48.1	67.4%	79.2%
MU	Micron Technology, Inc.	Information Technology	1106	58.5%	243.3%
DELL	Dell Technologies Inc.	Information Technology	281.1	55.0%	248.2%
CIEN	Ciena Corporation	Information Technology	65.2	35.9%	97.0%
MELI	MercadoLibre, Inc.	Consumer Discretionary	93.9	35.0%	(8.0%)
MRVL	Marvell Technology, Inc.	Information Technology	206.3	32.4%	177.9%
INTC	Intel Corporation	Information Technology	552.1	28.3%	197.7%
NVT	nVent Electric plc	Industrials	26.0	28.2%	58.1%
BE	Bloom Energy	Industrials	69.6	28.0%	181.5%
AMD	Advanced Micro Devices	Information Technology	909.7	27.7%	160.5%
FCX	Freeport-McMoRan Inc.	Materials	88.4	26.8%	21.7%
HPE	Hewlett Packard	Information Technology	64.3	26.0%	103.9%
CPNG	Coupang, Inc.	Consumer Discretionary	33.7	24.4%	(20.3%)
VRT	Vertiv Holdings Co	Industrials	122.5	23.4%	96.9%

Source: Trivariate Research

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